Industrial relations

Months of work in Arbitration Court backlog

by Ree Mazengarb

Only one judge. . . Arbitration Court problem bodes ill for industrial relations.

THE Arbitration Court — already stretched to its limits and with a backlog of several months of cases — is down to one judge.

This preclude the court from sitting in two divisions, as it was set up to operate. And for remaining Chief Judge J R P Horn, it will mean more pressure and little time for preparing reserved judgments.

For the wingmen, only two out of the four employee — employer members remain employed at any one time.

The retirement of Judge Jamieson last September left the court with only two judges — Horn and Noel Williamson.

Since then the pressures on the court have been growing.

On the eve of the appointment of a third judge — Wellington lawyer Derek Castle — Williamson was admitted to hospital.

Castle is not due to take up the appointment until April. Depending on Williamson's state of health, the court may have to continue for some weeks with only one judge.

Observers point out this bodes badly for the state of industrial relations over the next months.

Even now, it was virtually impossible to get an immediate hearing — except perhaps in urgent cases, said one union source.

Registrar T M Brown said: "With only two judges - in effect, since the end of last August — our fixture list has become stretched out".

The backlog was "more than we like", he said, and later he confirmed it was several months.

The court was set up to sit in two divisions.

The third judge — the minimum required under the Industrial Relations Act — would have been free to research and prepare his reserved judgements.

Brown pointed out that this ideal situation was not possible now, and the members who would normally sit with the presiding judges do not have enough work to keep them employed

Brown said the court was doing its best to look after the real emergencies, and was attempting to deal with personal grievance cases as quickly as possible.

In a few days the situation would become clearer, but there are indications the court will not be able to function effectively without more judges.

Quitting domestic rows for industrial ones

WELLINGTON lawyer Derek Castle is well aware of the problems of the Arbitration Court. He is expected to take up the appointment as a judge of the court in April

Caught off-guard by the media before he had been officially appointed by Governor-General Sir Keith Holyoake, he was reluctant to speak at length about the job.

News of his pending appointment, "came as a surprise and a shock — even to his closes friends", he said.

Castle says he has done everything wrong in his life. He wasn't head prefect, nor has he achieved a prominent position on the various Law Society bodies.

More seriously, he explains, he is married with four children, and since his graduation in 1950 has been in general practice, doing mainly court work.

As he puts it, it's a "substantial matrimonial practice that I'm pleased to leave behind."

He confesses that until now he has had no special interest in industrial relations. But in spite of his lack of experience in the area, he sees the job as a challenge.

More realistically, at a time when lawyers' overheads are soaring and life in private practice is not what it was, Castle views it "a good job"

Now aged 55, he said he likes the security the job will bring.

Asked if he could — if required — take up his appointment earlier, Castle said it was rather a question of clearing things up with his firm.

About his attitude to the job, Castle pointed out he had no firm views either side

"It's a job that has to be done properly and conscientiously", he said.

"Justice tempered with mercy, tact and common sense."

Senior partner in Castle, Pope and Partners, Castle is described by fellow lawyers as not only extremely able but a thoroughly "nice guy".

As one colleague said: he has been around a long time and has been particularly noted for his ability in court.

"He has an exceptional manner — pleasant and not abrasive."

Castle is ready to see the funny side to a situation, but a trait that is likely to equip him well is his keen interest in people.

The fellow lawyer said Castle has been regularly used as counsel for children, a task requiring more than a little sensitivity. . . "that's how the courts regard him."

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NEW ZEALAND'S NATIONAL WEEKLY OF BUSINESS, POLITICS AND ECONOMICS

NATIONAL BUSINESS REVIEW

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Inside

Power surplus: Govt about to name the major projects

by Ree Mazengarb

THE Government is expected to select the major industrial proposals to use surplus South Island electricity this month.

The most likely to get the Government nod are:

- Comalco extension;
- A further aluminium smelter in Otago or Southland;
- Two silicon carbide proposals (one in Southland, the other in Canterbury);
- A nickel plant in Southland;
- A number of smaller proposals in the Otago-Southland area.

These proposals combined will use about 4500 giga watt hours of an estimated 5000-6000 giga watt hours surplus generating capacity by the middle of the decade.

Consideration is still being given to a proposed ferro-silicon plant in Southland. But sources say that this is unlikely to be given the go-ahead.

Trade and Industry officials have actively shopped around for potential users. And an atmosphere of competition has been brought to the negotiations — competition intended to ensure the best deal for the country.

The major contenders have negotiated for several months with a committee of officials from Trade and Industry, Treasury, Energy (electricity), and the Prime Minister's Department.

Because of the number of competing proposals the main criteria has been the net national benefit of each scheme.

It is understood no tax concessions have been offered to overseas companies beyond those available to any other New Zealand company.

Overseas companies will be involved, but there will be guaranteed net return for New Zealand, both financial and from new technological expertise, marketing advantages, quality control employment and so on.

Unlike the 1968 negotiations with Comalco, this has been a sophisticated exercise.

Government officials are said to be more familiar with the art of negotiating packages.

And considerations such as base price for electricity, escalations, load factors and so on, have all been taken into account this time.

It is understood that the base price, set by a joint departmental effort is the full economic cost, but it can be adjusted according to the extent of the net foreign exchange earnings of each proposal.

It is likely that all groups will pay about the same.

The other major consideration has been the amount of employment generated by the different schemes.

It is expected that all successful proposals will provide direct employment for between 2000 and 3000 people. There will be considerable indirect spin-off into areas such as service industries.

Because of the world shortage of aluminium — predicted to grow to 5.8 million tonnes by 1988 — and the prospect of having to spill water over the dams, the Government will probably look to an early start to construction of the largest user — an aluminium smelter.

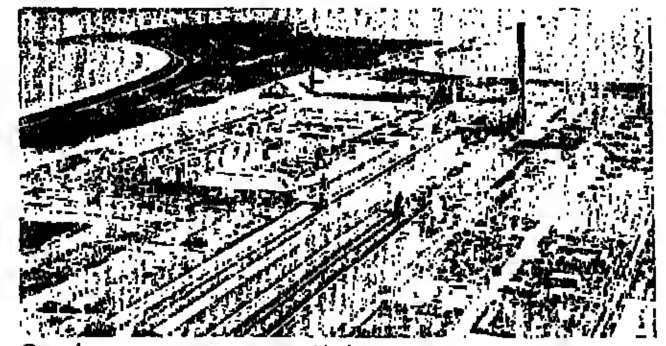
Sources say Comalco's expansion will be definite, with an early start to the construction of an extension.

Comalco will be joined by two new Japanese partners for the venture, which will increase the Bluff smelter's present capacity by 50 per cent to 220,000 tonnes a year.

And a new operation will get under way, with an expected completion date of 1984-85.

The two developments will together absorb about 3800 giga watt hours of the surplus.

The bulk of current production is exported in the form of aluminium ingots, but the Government is now looking at more down-stream processing being carried out in New Zealand.


Comalco . . . expansion likely

It is expected that this further processing will add between two to three times the value to the FOB export price.

Sources say that this policy will not unduly affect the marketing of the products.

A tough line is likely to be taken with Japan, which will be told that if it wants to be in on the aluminium products it will have to accept more processing. With Japan appearing likely to close down its own smelting operations, it should be a ready customer.

Other major markets will be North America, the United States and the industrialised countries of the Pacific Basin.

It is probable that two separate silicon carbide schemes will get the green light. Although smaller users of power, the two proposals together would use about 600 giga watt hours.

The lead times for these projects are slightly shorter than for aluminium plants — probably around two and a-half years after completion of zoning, environmental procedures and so on.

Carborundum (NZ) Ltd — the wholly New Zealand owned subsidiary of Carborundum Co of America — has been interested in the Southland silicon deposits for some time. But it is thought the company's proposal includes other partners — possibly to help with marketing.

Union Carbide NZ Ltd, is not among the contenders, though this company could be indirectly involved with a scheme as a supplier of resin products.

Other smaller proposals involving New Zealand companies are also likely to be accepted, each using something in the region of about 50 giga watts of power.

State tackles hake take

by John Draper

CONTROLS to limit the tonnage of hake caught off Westport will be imposed by the Ministry of Agriculture and Fisheries this year.

The Government has agreed in principle to restrictions. Officials are working out the detailed application.

A hake war seemed inevitable if the Government did not act. More than 30 vessels were expected to trawl across an area the size of two football pitches during the month fish are to be found off the Westport coast.

Trouble is still likely because the area straddles the dividing line between the inshore fishery, reserved exclusively for New Zealand-owned boats, and that fished by joint-venture operators.

Fisheries management divisional director Brian Cunningham said an overall tonnage quota would be imposed but the mechanism by which it would be applied to the two fleets was still being worked out.

Rock lobster fishermen, who get less than 80 per cent of their income from the sea, are unlikely to get licences renewed as fears of over-fishing grow.

For several years the average rock lobster catch has been around 2500 tonnes, but fisheries management is becoming concerned as export prices climb, attracting fishermen and investment.

The week

Regulation loophole

THE Kinleith strikers may yet get their negotiated 21 per cent settlement by creeping through a loophole in the Government regulations designed to restrict their wage settlement to 18.06 per cent. The regulations do not appear to cover the question of allowances and the strikers could scooop up the full 21 per cent by making up the restricted 3 per cent in allowances.

ILLEGAL trout exports are on the increase as overseas market prices rise. The trout is being poached, canned and shipped illegally to Australia and South-east Asia.

ALLEGATIONS by Dr Jan Valkenburg that the births of two deformed babies were possibly linked to their mothers' exposure to the herbicide 245T during pregnancy is to be a followed-up by the Health Ministry.

WATERSIDERS lifted their ban on handling fish exports but the issue has been put aside until March 10 when they will meet with the Federation of Labour.

RABBIT prices soared 50 per cent higher than expected at an auction in Clevedon. $450 was paid for a doe, $430 for a buck, and $15,015 for a four-week-old litter of five does and five bucks.

A PROPOSAL by Liquigas to install the first major LPG storage depot was refused by the Onehunga Borough Council on its Manakau Harbour waterfront site.

THE interim report on the Air New Zealand DC-10 crash in Antarctica was released, but only to legal representatives of parties that may be found culpable such as the crew, Air New Zealand, the manufacturers of DC-10s. Access to the report was denied to the families of the crash victims and the Airline Pilots' Association.

THE Canterbury-Westland Retailers Association decided there is no need for extended trading hours in the area.

THE pound fell nearly three cents to US$2.2350, its lowest point this year. High interest rates, the prime rate is now 16.25 per cent, drove the US dollar to its highest point against the Deutschemark, DM1.7799, since November. The shaky yen stabilised at Y248.50 against the US dollar.

LAMB sales to Iran were upped by another 7500 tones — worth $15 million — bringing the season's contract figure to 57,000 tonnes.

THE Government is raising its fourth and second largest Middle-East loan of $102.8 million.

THE Government has cut off grants to the Auckland Law Society's Grey Lynn Neighbourhood Law Office. Saving to taxpayers: $20,000 a year.

ZIMBABWE's Marxist guerilla leader Robert Mugabe swept to power, winning 57 of the 100 seats in the reconstituted Parliament. A Government of National Unity is now being formed including Patriotic Front leaders Josua Nkomo and one white Cabinet member. New Zealand's monitoring force returns home today.

PUBLIC confidence in the economy showed a marked decline, in the last two months according to a survey conducted by the National Research Bureau. The bureau expects the fall to be reflected in a drop in the sale of consumer goods in about August.

CHINA'S vice chairman Deng Xioping emerged as the new strongman in the latest Politburo reshuffle. Four top officials were dismissed.

A PUBLIC inquiry will investinge the Arthur Allan Thomas case and advise the Government on the question of compensation.

Business week

Ajax GKN Limited reported an unaudited tax-paid profit of $856,108 for the six months to December 31 ($749,000 same period 1978). An interim dividend of 8 per cent is payable on April 11.

Arnold & Wright Limited reported an unaudited tax-paid profit of $136,088 for the half-year to January 11 ($82,000 same period 1979).

Applications by the public for the ANZ Banking Groups' share issue have been oversubscribed 3.3 times. Directors expect to scale down the pool, which has more than 5900 individual applicants. But they will ensure that each applicant will receive an allotment of shares.

Associated British Cables Limited reported an unaudited and pre-tax profit of $1,172,902 for the year ended December 31. Directors recommend a final dividend of 12½ per cent.

A M Bisley and Company Limited reported an unaudited tax-paid profit of $215,529 for the half-year to December 1979 ($105,851 same period 1978).

Barul Limited, reported a tax-paid profit of A$16,787,000 for the half-year to December 31 (A$12,731,000 same period 1978). An interim dividend of 6.25 cents is payable on April 30.

Brambles Burnett Limited reported a loss of $491,100 for the six months ended December 31.

The Colonial Motor Company Limited reported an unaudited pre-tax profit of $2.72 million for the six months to November 30 ($2.92 million same period 1978). An interim dividend of 6 per cent is payable on May 8.

Challenge Corporation Limited reported an unaudited group share of tax-paid profit of $8,219,000 for the six months ended December 31 ($6,124,000 same period 1978). An interim dividend of 7 per cent is payable on March 25.

Commercial Bank of Australia Limited reported an unaudited group operation net profit of $A20,007,000 for the half-year to December 31, an increase of 8.2 per cent. Interim dividends of 40c a preference share and 10c an ordinary share are payable on April 3.

George Court & Sons Ltd reported an unaudited tax-paid profit of $90,044 for the half-year to January 19 ($80,576 same period 1979). An interim dividend of 5 per cent is payable April 18.

Dalgety New Zealand Limited has appointed Hugh Mellor to the board.

DRG (New Zealand) Limited reported a tax-paid profit of $1,681,000 for the year ended December 31 ($1,428,000 1978). An interim dividend of 14.5 per cent is payable on May 21.

Feltex New Zealand Limited increased its unaudited tax-paid profit by 18 per cent to $5.3 million in the six months to December 31. An interim dividend of 7½c is payable on March 27.

The Golden Bay Cement Group reported a tax-paid profit of $2,260,454 for the year ended December 31. Directors recommend a dividend of 7 per cent payable on April 9.

Hooker Corporation Limited reported a tax-paid profit of $A6,509,000 for the six months to December 31 ($A5,917,000 same period 1978). An interim dividend of 7.5c is payable on May 1.

British chemical giant ICI made a pre-tax profit of £560 million, £139 million more than in 1978. But the profits failed to increase as fast as sales growth because of mounting pressure on product prices.

F Liechtenstein & Co Ltd reported an unaudited tax-paid profit of $291,783 for the half-year to December 31 ($185,624 for same period 1978). An interim dividend of 4.5c is payable April 2.

The National Bank of New Zealand Ltd raised its group net trading profit by 33.4 per cent to $5.8 million in the year to October 31. The bank is to retain all of the after tax profit.

National Insurance Company of New Zealand Limited appointed A Anderson as a director.

New Zealand Cement Holdings Limited appointed P H Scott as chairman.

NZI Finance Limited through its subsidiary NZI Securities is incorporation a new company, NZI International Acceptances Ltd in Hong Kong with a paid up capital of $HK2.5 million.

New Zealand Insurance Company Limited appointed R W Steele to the board.

New Zealand Motor Bodies Limited reported unaudited tax-paid profit of $35,000 for the six months to December 31 ($39,000 for the same period 1978). Directors expect the recent sale of the Auckland plant to Mazda Motors NZ Ltd to improve the year-end result. An interim dividend of 5c is payable on March 27.

Oakbridge Limited reported an unaudited pre-tax profit $A2,640 mmillion for the six months to December 31 ($A2,885 million same period 1978). An interim dividend of 6c is payable on April 18.

Peko-Wallsend Ltd reported a tax-paid profit of $17,544,301 for the half-year to December 31 ($11,442,082 same period 1978). An interim dividend of 10c is payable on April 11.

Woolworths Limited reported a tax-paid profit of $A30,257,000 for the year to January 30 ($A29,592 same period 1977). A final dividend of 8½c is payable May 13.

The week ahead

MONDAY: Danish Foreign Minister Kjeld Olesen will be visiting until Wednesday.

The Prudential Building and Investment Society annual general meeting in Christchurch.

TUESDAY: Federation of Historical Societies conference in Picton.

Harbours' Association annual conference in Wellington.

Plumbing and Drainage conference in Gisborne.

WEDNESDAY: Society of Accountants annual conference in Rotorua.

FRIDAY: Farm Forestry conference in Blenheim.

SATURDAY: Meat Retailers Federation annual convention in Auckland.

The week

Dairy industry heads into era of big investment

by John Draper

BIG is beautiful is the Dairy Board's theme for the 1980s as it seeks to get more dollars out of every litre of milk.

New chairman Ken Mehrtens is expected to unveil plans which could revolutionise the industry as he begins a 10-day nation-wide tour today.

Mehrtens is scheduled to outline plans calling for a massive cpiatal investment over the next decade to concentrate products into three main areas.

Cheese production will double while butter, specially for the British market becomes a less significant proportion of dairy exports.

New products will develop from whey, a cheese by-product, as well as more products using milk powders and caseins. UHT milk will also figure in the board's expansion programmes.

With butter quotas to Britain likely to be sliced to 90,000 tonnes by the European Economic Community, the board is expected to develop a new marketing strategy for the 1980s.

No one market will be allowed to consume more than 30 per cent of the board's exports while several smaller markets able to take round 5 per cent will be fostered.

And in marketing terminology the board is going downstream. More operations, like the Singapore milk recombining packaging plant are likely as well as the development of the Anchor brand to identify a wider range of products on supermarket shelves.

The result is likely to be more overseas associates and subsidary companies involved in marketing distributing and product development.

Closer ties with good processors will be sought along similor lines as the board is already developing in Chicago. A research unit there is working closely with major American food processors developing products specifically for their needs ensuring long-term contracts for exports.

The investment needed to develop the industry the way the board wants is likely to be beyond the reach of many smaller but successful dairy companies, leading to a reorganisation of the processing industry.

Joint ventures, partnerships, amalgamations and take-overs will be encouraged to get the units needed and the board is hoping to win farmer support by the promist of higher future payouts.

A new structure is thought essential if the industry is to get every last cent from each litre of milk. Some operations such as cheese making are likely to be much more profitable than say extracting prtoducts from the huge quantities of whey.

Already the industry is being split as some small factories concentrate on high value products, yielding a high pay out for their farmer suppliers while bigger organisations making wide range of products pay out less.

In the Waikato last year many suppliers switched from the large New Zealand Dairy Company to the smaller Morrinsville and Cambridge dairy companies for a higher return.

Although Mehrtens will be unveiling the board's plans as its aims for the 1980s, the programme is already under way.

UHT milk is already being made in Auckland, a plant to ferment whey into ethanol is under way and two big cheese factories are already destined for the Waikato.

Mehrtens is also expected to scald a few fingers for poor-quality products on his tour. The board is still receiving more complaints than it would like and the emphasis will be that the customer is always right.

International competitions prepare lignite exploitation plan

SEVEN international companies are carrying out preliminary studies on Southland lignite (as the first steps toward putting forward firm proposals for using the resource.

The Government has asked the companies to present proposals by August on the use they would make of the lignite.

The seven include German, Japanese, American and Australian combines. Five of the companies have had investigation teams in the country since the Government asked for bidders to submit plans last August.

Energy Minister Bill Birch confirmed last week "information packages" had gone to "organisations which were considered to have expertise and sufficient financial and technical resources to be able to contribute to their (the lignite beds') development."

The companies are all regarded as big enough to do everything themselves, from basic mining to gasification or liquid fuel production.

All are offering different techniques for utilising the brown coal deposits. It's already clear major interest centres on the three northern-most deposits in Southland, which contain the better quality lignite. Sources say the groups are treating the lignite proposal as a long-term plan and taking the investigation seriously.

The Government's key requirements, in the plans to be submitted by August, include details on how the resource would be used; how each combine would fund its operation; and when they would begin detailed investigation work.

The crunch question for each combine must be the amount of cash it is willing to line up for its proposal.

Energy Ministry people have also prepared an investigation programme.

This would give Government the basis "to properly judge any commercial proposals".

Birch told the environmental group it will also allow a full "understanding of any mining and reclamation problems which might arise, particularly with regard to environmental factors."

Birch also raised a new prospect: if, for example, more natural gas or even oil were found, development of the lignite resources would not be needed.

And even without that, "developments in energy farming could result in this source being the preferred option", he said.

It was the first time Government had put such emphasis on the ethanol/biomass alternative.

The week

First pangs of adolescence beset deer farmers

by Greg Newton

THE deer-farming industry, hot contender for the title of agriculture's glamour child of the 1970s has entered the new decade beset with the first pangs of adolescence.

Major breeding stock sales scheduled throughout the country the last fortnight have pointed out the damage done to the industry's boisterous confidence by the events of recent months.

The sales were anxiously watched by farmers and the many city-based investors who have in the past four years poured millions of dollars into fencing and stocking the farms that are now becoming a feature of the landscape.

Prices for live deer have escalated steadily since the first deer farming licence was issued a decade ago.

But momentum has been gathering steadily since late 1976 when a breeding hind could be bought for around $400. The peak came late last year when $3800 was paid for a few in-fawn hinds at a North Island sale.

The recent sales have seen breeding stock prices drop to an average $1600, while stags have been bringing less than $1000 and being passed in.

A sudden and substantial decline in the price for velvet – the immature antler used extensively in the Orient in the manufacture of traditional medicines – is the major reason behind the present uncertainty.

Record prices of up to $250 a kilo were being paid for top quality velvet until the middle of December when the Korean traders, who have bought most of the New Zealand product, disappeared from the market.

Reports indicated that the major reason for their departure was the sale of a large quantity of velvet by the Chinese who have been keeping deer in captivity for centuries.

Prices now seem to have stabilised at about $150 a kilo and is thought to be a sustainable level. It is still a healthy price, valuing the cut from an ordinary stag at about $400.

But the velvet situation is not the only factor likely to have a depressing effect on the live deer market.

The single most important factor in the high prices being paid for deer is demand created by farm stocking programmes.

Deer farming requires substantial capital investment in fencing and other facilities. Consequently farmers are keen to see their properties brought up to maximum stocking rates in the shortest possible period.

Demand from this is likely to be sound at least in the short and medium-term, but must slacken at some point in the future.

The timing of the event is difficult to establish because of the quantities of deer being captured live from the wild.

No precise figures are available on live capture and therefore they can't be put into an equation with the increasing number of farm-bred deer coming onto the market.

The third negative factor is uncertainty over the standard value of the stock.

This was set at $150, which has made $3000 deer an attractive investment for the Bay of Plenty's "kiwifruit millionaires", city businessmen and farmers benefitting from stable if not overly buoyant prices for traditional farm produce.

The Inland Revenue Department last year ruled that the standard value for deer should be set at half the purchase price.

The Deer Farmers' Association met Associate Finance Minister Hugh Templeton to discuss the problem recently, and it had the support of Federated Farmers in opposing the department's ruling.

It was changed. But the departure set the standard value for a hind at $700, and a stag $300.

Farmers have criticised these values as being too high – the $700 hind value is above the present price for a fallow hind.

It is likely that the Deer Farmers' Association will again visit Templeton to point out this and other anomalies.

Apart from the fallow problem, farmers may end up paying tax without making any income – other than in the farm books – and the move is seen as a real disincentive to stock building.

Deer farmers would support a small increase in the standard value, which was set in the industry's earliest days, because it would take some of the demand pressure out of the market.

The short-term questions about standard value could have the most unsettling influence on sales during the next few weeks.

But even at present prices, those paid during the last frantic months of the 1970s, at $2000 a head the farmed deer is still a valuable investment in the future.

Govt about-face on hotel ownership and operation

by Warren Berryman

THE National Government has decided the state should own a $14.5 million hotel after previously declining to operate the hotel for private interests.

Government Life, the Government-owned insurance company, recently announced it would put up $14.5 million for the Airport Oakes Hotel to be built near Auckland airport.

The hotel, built on five hectares of land and having 253 rooms will be operated by Travelodge of Australia. Travelodge is owned by Southern Pacific Hotels, which in turn is owned by Arab arms merchant Adnan Khassoggi through his Triad Corporation.

The hotel will probably be built by Mainzeal Corporation Ltd, but details have yet to be finalised.

The original concept and design for the hotel was put up by the Davison Group, now in provisional liquidation.

The land is owned by the Commonwealth Development Finance Corporation (CDFC), of Britain.

Last year Davisons was trying to put a package together to get the hotel off the ground.

The CDFC was to have an interest and the Development Finance Corporation was to put up about $9 million in debt finance.

But before finance could be obtained Davisons had to find someone to manage the hotel.

Davisons wanted the Government-owned Tourist Hotel Corporation to manage the hotel.

But the Government caucus turned down the idea because it was thought to be contrary to the party's private-enterprise principles.

Shortly after this rebuff, Davisons went into provisional liquidation and Mainzeal took over the job of putting the financial package together to get the project under way.

Local equity investment to add to the DFC's $9 million debt finance was hard to find. Some of those with the $5.5 million equity finance to spare – namely the major private insurance companies – had hotel projects of their own to consider.

A one stage it was considered likely that Khassoggi, through Travelodge, would put up this money on a bridging finance basis until local investment could be found.

Government Life has now taken over the lot, gaining 100 per cent ownership.

The hotel will be owned entirely by Government Life. The DFC have dropped out of the game.

The CDFC, after selling off the five hectares for the hotel, still must dispose of about 12 hectares of adjacent land.

Auckland, this country's major port of entry, has a bottleneck in hotel beds. Some estimate the city is 1000 beds short.

Air New Zealand, has been among the loudest of those calling for more hotel beds in the Queen City to handle its incoming passengers.

The hotel will operate partly as a "hot bed" for passengers transiting through Auckland airport. It will also offer international hotel facilities to visitors close to Auckland's industrial districts south of the city.

Editorial

OFFICIAL frankness and candour is sadly lacking at a time when the public desperately needs its confidence restored in the administration of our national airline and in the efficiency of aviation safety standards and procedures.

Last week, the Ministry of Transport revealed to the commission of inquiry into rescue fire services at international airports that Auckland International Airport rescue services did not conform to those required for an airport carrying its level of traffic.

The ministry had earlier told the commission that the airport did comply in all significant respects, and the ministry's counsel apologised for what he described as an apparent defect in the ministry's presentation of its case.

The ministry had been adopting a different basis for categorising international airports in New Zealand than the International Civil Aviation Organisation recommended. And the new evidence clearly underscored the absurdity of assurances given about safety standards by Prime Minister Rob Muldoon and Transport Minister Colin McLachlan immediately after the fatal crash of an Air New Zealand Friendship into the Mangere swamp in 1978.

But other evidence to the inquiry suggests that the maintenance of safety standards leave much to be desired elsewhere. Indeed, every international airport in the country appears to be lacking in some respect.

So much for safety. But soaring air fares have raised questions about the efficiency of Air New Zealand.

Exhaustive investigations in 1964 and 1974 failed to find enough evidence to justify a merger between Air New Zealand and NAC, but with apparently indecent haste, the Government approved, then effected, a plan to bring the airlines under one management wing two years ago.

Announcing the merger, McLachlan said: "The potential benefits of a merger became clear in an intensive and comprehensive study of the question, and these could not be ignored in view of the Government's pledge to co-ordinate transport so that transport users are provided with the most efficient and economic service possible."

Muldoon emphasised the promise of savings up to $10 million a year. But the public was denied the chance to assess the value of the merger by ministers who stubbornly insisted that the information on which the decision was based be kept secret.

Some reports recently suggested the airline will lose as much as $20 million this year, (following a loss of $10 million last year).

Soaring fuel costs and the DC10 grounding have generated problems, of course, but no clear statement on the cost structure of the merged airline has been forthcoming. The company was reluctant to reveal details of internal costs when last it sought a fare increase approval from the Air Services Licensing Authority, but persistently denies there is cross subsidy between the domestic and international elements of the operation, and chief executive Morrie Davis insists the records are open for inspection by "authorised officials".

Nevertheless, the airline's reticence has failed to allay suspicions that internal passengers (where the airline has a monopoly) are subsidising overseas flights (where the airline faces stiff competition), and scepticism remains about the prudence of the merger decision. And so the path was laid for Labour's Roger Douglas to demand last month an inquiry into the merger by Parliament's Public Expenditure Committee after the latest fare increase had been confirmed against a background of falling patronage and rising costs.

Both the safety and merger issues vividly demonstrate why public confidence cannot rest on ministerial blandishments and prolonged official secrecy. But, under Section 15 of the Civil Aviation Investigation of Accident Regulations 1978, only the representatives of possibly culpable parties will be allowed to see the interim report of the Chief Inspector of Air Accidents into the DC 10 disaster on Mt Erebus. Thus the report has gone to "interested parties" with a legal right to know what is being said about them. Ninety days are allowed for submissions to be made by these parties on the contents of the report. That means that Air New Zealand, DC 10 makers McDonell Douglas and the civil aviation division of the Ministry of Transport — which already have been involved in the report's preparation — can influence changes before the final report is made public.

A copy of the report will go to the lawyers representing the family of the dead command pilot, but the Airline Pilots Association has been denied a copy, and "interested parties" also excludes legal representatives of the families of crash victims.

As one lawyer argued last week, there was no apparent reason why he and his colleagues should be denied access to the interim report if it was being made available to other "interested parties", but many reasons why some involved in the manufacture of the DC 10, in its flying, or even in the manufacture of some aircraft components, might want the report kept secret till it has been modified by whatever submissions they make.

The Attorney-General may direct that a public inquiry be held, of course, in which case, all people with an interest in the matter could be heard. But confusion of Gilbertian dimensions prevailed for a while last week when Attorney-General Jim McLay told reporters he had not seen a copy of the report, "and until I have I am not in a position to direct a public inquiry into the disaster."

An official in McLachlan's office had said the Attorney-General was not entitled to see the report, and only a Crown Law Office ruling apparently prompted a change of heart.

But what of the public — the owners of the airline? They, naturally, are anxious to know if fault lay with Air New Zealand's flying procedures or with an already suspect aircraft type, or whatever, and surely must also be considered "interested parties". Their faith in the airline has been eroded by a number of controversies, and the Mt Erebus tragedy profoundly affected the whole community. They are entitled to information and shouldn't be expected to wait at least three more months before being given hard facts about the crash instead of morsels of rumour and speculation from which only wrong conclusions can be drawn.

Bob Edlin

Without word of a lie

Justice Dept said HANZ off

BUREAUCRACY thrives in the Justice Department, specifically in the Wellington Supreme Court.

The Chief Justice, Sir Ronald Davison, delivered a decision on the HANZ/Commerce Commission case on March 4 (see Page 20)

In our usual spirit of providing readers with information which can affect their businesses and their knowledge of public issues, *NBR* called at the Supreme Court on March 5 for a copy of the judgment.

The request for a copy of the judgment was apparently outside the general experience of the particular clerk (nothing wrong with that). So he consulted with two desk-bound officials in the office.

The decision? We could not have a copy of the decision, because it had not been delivered to the solicitors to the parties, and application would have to be made to the Registrar in any event.

That seemed strange, because we had been told the document was available, in the hands of the parties, and we had a synopsis of the contents.

But no joy from those upholders of the principle that justice must not only be done it must be seen to be done, the officers of the Supreme Court.

We left, commenting that a copy would be obtained from other sources (we have ways of getting documents which have been made public!)

So, in spite of Justice Department bureaucracy, readers can see in this issue what the Chief Justice decided.

How to be a lady when your spouse confers

WITH a growing number of women in the professions, it has for some time been a dangerous generalisation to assume that all delegates to a conference are male.

The programme for this year's national convention of the Society of Accountants has a model heading; "Programme: Members and Accompanying Persons".

But the effect is rather spoiled lower down the page. While delegates are discussing the morning addresses on the first day, a scenic tour has been laid on — for the 'ladies'.

Gang enters free enterprise patch

FROM the "If You Can't Beat 'Em Join 'Em Department" private enterprise, it seems, has a way of getting into the blood of the most unlikely people.

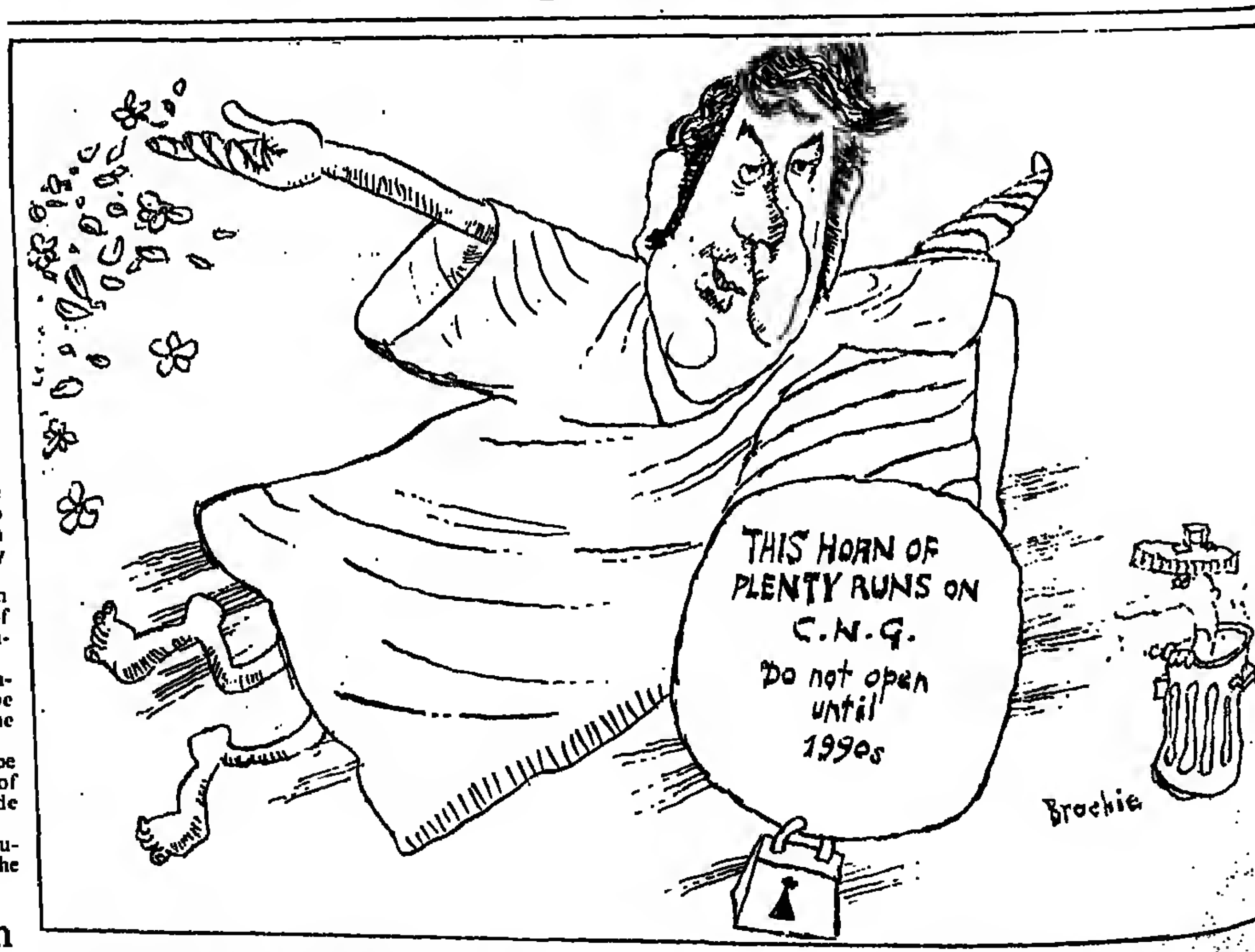
Porirua's Mongrel Mob has recently won a contract, under the Labour Department's temporary employment programme, to clear a small stream in the area of assorted flotsam and jetsam. Three days after beginning the work, the Mob was knocking on the department's door — complaining that vandals were tossing the cleared rubbish back into the stream.

Quite apart from the stupidity of the vandals (who obviously were unaware of just who they were upsetting), the tale has more than its fair share of piquant irony.

The Mob's dedication to the job is described by local sources as "fantastic". They are reported to be working up to 12 hours a day in the rain. And who wouldn't. The contract is worth $150 a chain. By the time the 200 chains are cleared they'll be some $30,000 the richer.

Maori Affairs staff are giving the gang budgeting, taxation and other financial advice and are hoping that this initial job will lead to others.

Brockie's view



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Comment

Methanol: small and sure or risky ambition

by Barry Brill

THE NEWS media have enjoyed a feast of speculation on the merit of the two contending methanol proposals, reducing the whole complete question to a simple-minded slogan: "State versus private enterprise".

In fact, that question has virtually no relevance to the decision-making, as it is proposed that the state's minor shareholding will be about the same in each of the projects.

The questions which do have to be considered are being subjected to intense scrutiny by a high level group of government officials.

The two proposals have much in common. Both are 51 per cent New Zealand owned, both use ICI technology, both can secure long term markets for 1200 tonnes a day, both are to be sited in Taranaki and both are offering broadly acceptable formulae for fixing the gas price.

How then does the Government choose between them?

How do they differ?

In the one case we are offered a consortium of BP, Shell, ICI and Mitsui — probably the most powerful petrochemical combination in the world in terms of engineering backup, market contacts, management experience and finance.

On the other, Alberta Gas Chemicals has a reputation as a dynamic and efficient methanol producer, which at present has a virtual monopoly of the exports to the Pacific rim countries in which we are interested.

How important is it that Alberta Gas has no previous contact with New Zealand, that BP has very little experience in methanol production, that Alberta Gas is a direct competitor of the New Zealand company or that oil companies do not have a good profit record in petrochemicals?

One proposal is for shareholding by Challenge, Fletchers, the state (through Petrocorp) and the public through the stock exchange.

This appears to be a good balance with proven management and construction expertise and ensuring that the private sector is in "on the ground floor" of New Zealand's largest growth area.

The other proposal is for a somewhat similar structure but the private sector joint venturers have not yet been identified or signed up.

Is this a defect or will the delay allow the selection of a wider range of private sector interests.

Alberta Gas has effected technological improvements on the ICI process, which are claimed to significantly reduce gas usage.

The constructor of the competing plant, Davy International, contends that it can achieve similar efficiences but alleges they do not warrant the additional capital cost.

Clearly there is an optimum point for balancing gas usage against capital outlay, but identifying this point involves the wide range of options regarding future gas values, rate of inflation, the advantage of producing condensate earlier rather than later in the life of the Maui field.

Timing is a vital consideration as markets are likely to be won by the first in the field. There are potential contenders in Malaysia, Indonesia, United States and Canada.

Further, the gross value of the product with associated condensate could exceed $2 million per week in overseas exchange.

Alberta Gas contend that they will be in production 12 months earlier than their competitor because their plant design is already complete for an identical project about to be commenced in Canada.

The BP Consortium argues that the time constraint will not relate to design but to planning approvals under the National Development Act and that they are much more advanced in terms of site planning and environmental impact report.

Given the differing natures of the two sites, there is again ample scope for argument.

The four overseas partners in the BP Consortium are prepared to guarantee the sale of 1200 tonnes per day, and have powerful marketing connections to help dispose of larger amounts.

Alberta Gas has a proven record in the Pacific and could be a formidable competitor if it is not involved in the New Zealand plant.

On the other hand, Mitsui, ICI and Shell are major buyers which might themselves become competitors if not permitted an equity in New Zealand.

How much risk is involved in having the entire marketing of the New Zealand plant controlled by its major competitor?

What are the dangers of depressed prices if all exports are to be sold to four shareholders, much of it requiring a margin for on-selling by the original purchasers?

Scale of the plant is probably the crucial point. The Alberta Gas plant of 1200 tonnes per day is closely tailored to known markets in the mid 1980's.

It is proposed that an additional plant be built if and when a further market develops either in New Zealand or overseas.

This additional plant could possibly be associated with the synthetic gasoline project, which requires gas to be converted to methanol as a first stage in the process.

The BP Consortium argues that it is a fair commercial risk to build a 2000 tonne per day plant from the outset.

Although this leaves 265,000 tonnes per annum uncommitted at this stage, a number of arguments are put forward:

- The Government is due to make a decision on methanol blending with petrol in November this year. If the decision favours blending, the whole of the additional output will be used, without jeopardising the existing export opportunities.
- Apart from blending with petrol, methanol can be used to substitute for diesel loads in industry, vehicles and marine engines. It can provide a feedstock for gas works in the South Island. There could also be a number of alcohol-driven motor cars by the mid-1980's, together with plants for processing of methanol into formaldehyde and acetic acid.

If these uses were encouraged by the Government, they could provide a very valuable use for 265,000 tonnes each year.

- The synthetic gasoline plant will probably involve two methanol trains of 2000 tpd, and there are obvious advantages in standardisation.
- If there is any delay in developing alternative methanol uses, the surplus could meantime be routed through the synthetic gasoline plant. Only relatively minor cost would be involved in over-sizing the Mobil reactor.
- Davy International argue that economics of scale could be as great as $22 per tonne. If the whole of that saving were applied to the incremental 800 tonnes, it could theoretically be sold on the export market at a discount of up to 40 per cent. Such a massive discount would, of course, defeat the whole purpose of building a larger plant, but BP argue that the ability to under-price competitors would be a "safety net" — which would, in any event, be necessary for only a short period out of the plant's 20-year life. It is also argued that building a large plant will deter potential competitors from entering the market.

The issue, then, boils down to a dilemma which is very familiar in business: A smaller project which is a sure bet and clearly profitable — or a more ambitious one with elements of risk but promise of greater rewards.

The process of analysis by the Government has been marked by urgency, but the ramifications have been far more complex than the skeletal outlines provide.

For every argument there is a counter-argument; for every computer run pointing in one direction there are sensitivity analyses to suggest another.

Only one conclusion stands out boldly and indisputably from the mass of figures and opinions — the strong competition for the project has greatly favoured New Zealand.

Both proposals have changed quite markedly since they were originally presented to the Government last year, and both now display significantly improved figures for national benefit.

I have some regret that the Government has to second-guess the commercial assessments of the two contenders.

In both cases, they are able businessmen prepared to back their judgment with their own money.

However, only one can secure a gas contract, and the Government has the responsibility of ensuring that the benefit to New Zealand is maximised.

The stakes are high. Even the plant I described as "smaller" is massive by New Zealand investment standards. It is more than three times the size of the New Zealand Steel.

It will also be the trail-blazer for a succession of energy industries, which will together determine the level of our prosperity for the remainder of the century.

Barry Brill, Parliamentary Under-Secretary to the Minister of Energy, gave this address the other day to the Wellington Lions Club.

The Promised Land this side of the Tasman

by Peter Isaac

AM I the only person around who has absolutely no desire whatsoever to live or work in Australia?

It is becoming increasingly hard nowadays to avoid people who assume that I am planning to make a landfall in that singularly unattractive country. I have always regarded it as some sort of half-way house or staging point between New Zealand and Great Britain or the United States.

What can these people see in Australia? I believe that many of these ill-advised "plane" people are just folk who really do not want to leave New Zealand at all. So they hedge their bet by going to Australia — which means that they can stay relatively close to New Zealand without really having to go abroad.

Bewildered New Zealanders are being herded toward Australia by people such as Sir Frank Holmes, the planner. I was appalled when he described the populace of New Zealand as having lost their self-confidence.

Who has lost their self-confidence? I haven't. Nor can I recall meeting one of these shattered traumatised people.

Every time I open the paper now I am treated to defeatist outline of what a wretched time we are having. Yet everyone I meet is doing so well.

Consequently, those of us who outlay just a minimum requirement of ideas, energy, and straight-dealing are all doing very well. Those people who are gifted in that they can take exceptional risks, and outlay an unusual amount of energy, are doing well.

This miserable group of people who have allegedly lost their confidence, and shiver behind the office counter, must be some sort of Lost Tribe, I never meet them.

Compare this happy picture with doing business in Australia. There, the scene is filled with artifice or some sort of ridiculous macho. Harsh, strident accents fill the air. There always seems to be some problem with payment.

It is very much alien territory.

So where does all this moaning and groaning about our sorry plight come from?

This miasma of despair seems to be emanating, as far as I can see, from the vast and growing state payroll.

It is coming from the cumbersome superstructure of planners, futurists, sociologists and the sub culture of do-gooders who wish to earn $30,000 a year doing it.

These, I believe are the merchants of despair. Protected by guaranteed pay cheques, inflation-proofing, and so many other things, these people seeking something to do actively propagate their weird message of doom.

Their stock in trade, the institutionalisation of common sense, is now worn out. We all know that Motherhood is a good thing. So they have taken off on a new and strange tangent. The curious by-product of all this endless navel-watching is that Australia has become a promised land. Australia!

People doing well in New Zealand — the overwhelming majority of us — sensibly decide to stay where we are. Occasionally someone who has been doing well in New Zealand proceeds to do well in Australia and this is received as a confirmation that Australia is a place where talen can really get recognition.

Inevitably one of the chief breeding grounds for doomsdaying is the artistic community, meaning those who wish to maintain themselves through painting, fine words, dancing, acting. Just before Christmas it seemed impossible for anyone involved with this community to mount a speakers rostrum without whining about the number of artists etc who had left the country.

Now it is a cruel fact worldwide that this is one field where more are called and less chosen than in any other.

Yet I believe, and some figures I have just reviewed support by belief, that on a proportionate basis New Zealand has become a paradise for this sort of person. State cash is being poured into the performing arts through television and now films.

I am consistantly meeting people who are travelling, or will travel overseas, on what are basically Government cash gifts. Nothing is required of them, it seems other than that they make a declaration of loyalty to the arts.

Another criticism we often hear — and this comes from all quarters — is that the standard of Government here is inferior to that in other countries, and especially Australia.

Yet let us remember for a moment the Whitlam fiasco, not to mention the ungainly doubling up of the whole Australian system through State and Federal Governments.

Compare this with the smooth and co-ordinate working of the New Zealand Government. And even the occasional dazzling display of international statesmanship passes unnoticed. I'm talking about the way we just held on to the Iranian meat market — and then held onto the American meat market.

The arrival in our consciousness of Australia as a model state I believe to be one of the most bizarre aspects of everyday life in New Zealand.

Peter Isaac is a freelance journalist and self-employed businessman.

Letters

Allegation refuted

WE refute the allegation (*NBR*, February 18) that the Auckland Harbour Board "allows continuous feather-bedding by waterfront unions".

We have led local and national efforts to eradicate waterfront malpractices and continue to implement policies aimed at improving port productivity at Auckland.

The board itself was one of the few port authorities in New Zealand which recently sought reduction in the Bureau Register strengths of waterside workers. A reduction of approximately 300 was achieved. We continue to press for realistic gang strengths.

We are active in current moves to form a National Association of Waterfront Employers, major aims of which are to unify employers on the waterfront and secure a common approach to collective wage fixing procedures for all labour on the waterfront.

Last year to satisfy itself on suspected feather-bedding, a special sub-committee of the board closely examined management and supervisory methods at the Monash Street container base. As a result, productivity has improved.

It is untrue to state, as Mr Harder is reported to have done, that in the past year the cost of loading and unloading containers at Monash Street has risen 100 per cent from $200 to $400.

The last increase in the cost of unpacking or packing LCL containers was on June 1, 1978 when higher costs, particularly higher wages, forced the board to lift the charge from $343.23 to $400, a figure unchanged since that time.

R T Lorimer
General Manager
Auckland Harbour Board

Divisions ignored

FRED Turnovsky's article (*NBR* February 18), while making some legitimate points on questions of economic theory, does not touch upon the basic issues involved in current political divisions.

Both the 19th century laissez-faire philosophers and the 19th century socialist philosophers severely underestimated the growth of 20th century technology and bureaucracy. Both groups had simple idealistic pictures of how their system would work and neither foresaw the complexities that would develop in the operation and administration of 20th century political economy.

These days the role of the formal owners of the means of production is insignificant compared with that of the administrators — the technocrats and the bureaucrats. The fundamental cause of our present industrial unrest and political division is therefore not an antagonism towards "profit" but an antagonism towards concentrated power, and the alienation of the masses from the decision-making process and their consequent inability to control their own lives.

Turnovsky does not seem to consider that our present system of industrial organisation is an archaic remnant of the 19th century and is quite inappropriate for present circumstances.

Over the last decade there has been a small but growing recognition that the traditional master-servant work place relationship may not be the most productive efficient approach to organisation and that a recognition of interdependance manifested by a delegation and sharing of power, authority, responsibility and fruits of joint efforts is better.

There is still a long way to go before this becomes the norm in New Zealand's economic institutions, but unless positive steps are made towards it, the consequences of continuing with what we have now may not be very palitable to anyone.

G B Churchman
Wellington

Profit attitudes

I WAS interested to read Fred Turnovsky's article on the Labour Party's attitude to profit (*NBR* February 18). It probably tells readers something about the general attitudes of much of the Labour Party leadership and that an "industrialist's" view of the Labour Party is important.

The real crisis that the Labour Party faces is not its acceptability to the leaders of industry but its acceptability to the workers who keep those people at present in their place.

Turnovsky is undoubtedly correct to note that the Labour Party's policies at present owe much more to Keynes than to Marx. This is very much to the Labour Party's discredit, and is a much more effective explanation of our party's inability to maintain a consistent economic and social programme than is any ambivalence in its attitude to profit.

Turnovsky has, I submit, no evidence at all for the view that the Labour Party has lost the last two elections on the basis of distrust of its attitude to private ownership and implicitly to profit.

Workers who walked away from the Labour Party in those two elections didn't do so on the basis that they thought the party was being too tough on their bosses.

Quite the opposite, the inability of the Labour Party to produce in recent years an effective economic and social programme which is an alternative is the major element.

The development of increased investment, and the promotion of economic growth are by no means synonymous with encouragement of private enterprise.

The source of investment funds in the long run is always the same. Investment funds can come only from the surplus generated by those who work in industry. The work of industry produces a surplus under all types of society, and it is only our peculiar present type of society that leaves the decision as to how that surplus type of society that leaves the decision as to how that surplus will be allocated to private individuals such as Turnovsky. The fact that workers will not accept the "leadership" of these people is certainly a problem for them.

A genuine Labour policy would be one which was able to recognise these developments, and promote a realistic programme of economic growth and increased investment dependent not upon the pampering of private enterprises, but on genuine social needs.

Rob Campbell
Wellington

Rationalising statistics

I REGRET that I find it necessary to reply to John Draper's article "Stats soured by department's call for prompt data" (*NBR* January 28).

Firstly my department is convinced of the need for both the surveys and censuses that provide broad-based historic information and the short-term indicators and predictors of changes in the economy.

Both types, of course, must adequately cover the subject matter; this becomes more difficult, more costly and takes longer to undertake as more detail is required in respect of the subject especially where geographical and farm type details of reasonable accuracy are required. Both series of statistics are essential as neither is of much use to policy-makers without the other.

My department has been and remains a leading proponent in rationalising and collecting both types of statistics.

The Statistics Act 1975 places a responsibility on me to ensure that the best possible use is made of the limited resources available to the Government for obtaining statistical information.

In advising the Government on priorities for the use of resources and the need for statistics, my department undertakes formal reviews of statistics (such as the Review of Agriculture Statistics referred to in the article). Even after a review has been completed, continuing liaison is maintained with all concerned; not only to oversee progress with implementing the review recommendations but also to assess the continuing relevance of the recommendations in light of emerging needs.

It is in this context that the proposal by the Ministry of Agriculture and Fisheries to use the services of Market Research (NZ) Ltd will be viewed by my department when I have received a definite proposal from the ministry. The need for the information will be weighed against the cost of the proposal and whether alternative ways of obtaining the data are more efficient. Also the ability of the project to meet its objectives at the required accuracy level will also be tested.

Mr Draper points out that my department is questioning the need for the statistics. Such an investigation is, however, not the negative and reluctant exercise that is suggested but a positive attempt to ensure that the greatest possible benefit is obtained from government expenditure, whether that expenditure is made by the Ministry of Agriculture and Fisheries or the Department of Statistics directly or through a private research organisation.

E A Harris
Government Statistician

Hong Kong interview

YOUR issue (*NBR* January 28) includes an article headed "Envoy wants Air New Zealand to lift Hong Kong Market". In it I am quoted as offering some comments on Air New Zealand's policy on passenger and freight transportation between Hong Kong and New Zealand. The article is based on an interview with your correspondent in my office in December.

It is not the purpose of this letter to deny the remarks (except one) attributed to me; nor would I wish it to be seen as reflecting on your correspondent's integrity or quality as a journalist. I do wish, however, to say that I am disappointed that an interview for the pre-agreed purpose of discussing the potential of Hong Kong for New Zealand exporters should have resulted in an article devoted primarily to criticism of Air New Zealand's policies towards this area.

Naturally in the course of the interview, we discussed Air New Zealand's role. The airline is an inseparable factor in the economic relationship between New Zealand and Hong Kong. I did indeed comment on the question of sea and air freight services from New Zealand and express my disappointment at what I consider to have been a fairly cautious approach to air freight services.

I also expressed my regret at high air fares on the Auckland/Hong Kong sector, the relatively infrequent service and my hope that the Hong Kong service will not be diluted by extending it to Tokyo when the time comes. But these comments were made in the wider context of overall trade and my opinion of the economic significance of Hong Kong for New Zealand, and unless read in that setting have an emphasis which was not intended.

As it is, your readers could be forgiven for thinking that I saw your correspondent for the primary purpose of discussing Air New Zealand. This was not the case at all.

One correction. He has me saying that Air New Zealand has done nothing locally to promote tourism. I think he must have misunderstood me. Air New Zealand representatives in Hong Kong do a first class job in promoting New Zealand in the media and their artistic television commercials attract much favourable comment.

Perhaps when space permits, you would allow me to prepare for you an outline of the Hong Kong economy, the absence of import quotas and duties, the growing wealth of the population, the wide range of imports from around the world, and some thoughts on the significance of all this for New Zealand businessmen. In that way the original purpose of my interview with your correspondent would be fulfilled.

B R Flury
Commissioner
New Zealand Commission
Hong Kong

Bush not bulldozed

AS secretary of the Waitakere Ranges Protection Society Inc, Mr Gary Taylor's letter (*NBR*, February 18) raises some points that the following facts may clarify. It may be that he has no recent knowledge of the area of bush that he claims has been destroyed; if he had, he would know:

(1) That the major part (66 per cent) of the 36-hectare property is untouched native bush and likely to remain so. Predominantly gorse and manuka scrub (cf topographical maps of the area) was cleared to provide pasture for brood mares, and later, grape plantings. The pasture itself contains a large number of stands of native trees, saved from the bulldozer. Had the property been bought by a housing developer in the first instance, this situation would hardly now exist. The property neighbours an extensive ARA reserve and a State forest.

(2) That silt in streams is an annual occurrence due to winter rainfall, and therefore largely beyond control. A new ARA road giving repairmen easier access to the pipeline, which runs alongside the Swanson Stream may have some bearing on the matter.

(3) That the local people generally agree that the area has been considerably enhanced with the development of the farm. Local people would obviously be extremely concerned with the destruction of their environment.

Incidentally, the nearby "university scientific reserve" that Mr Taylor implies has been debased by association is actually a State forest that the University of Auckland Botany Department has permission to use for a longitudinal study of the transition of pasture to native bush, as the "pasture" is still in blackberry and gorse after [illegible] years.

It would appear that Mr Taylor is in more need of [illegible] and protection than the [illegible] Waitakere Ranges [illegible]

Politics

Faint signs Labour may get on board the 1980s

by Colin James

ONE thing positive you can say about the Labour Party: the food is getting better.

I went to the Hastings conference of the party's southern North Island region to sniff the air, to probe the provincial psyche, to "breathe the ombee-onss", as a learnedly linguistic party luminary put it.

Being the sort who thought what I was breathing rhymes with ginss, not panee, I found myself diverted from my lofty purpose by the snax.

Scones with jam; crackers with vegemite; hot puff-pastry savouries; cold meats; salads; apples; plums; even savelays and grapes; not to mention fruit salad.

It was a cut above the *National* Party's catering the last time its regional conference was in Hastings, in 1978 — the first time in my experience such a comparison has favoured Labour.

Such a role switch could have severe sociological consequences, so it was with some relief that I overheard a woman seeking a "token man" for the kitchen. All, I thought, is perhaps not yet lost for This Great Movement of Theirs.

I was further comforted to learn that good food is a Labour Party tradition in Hastings. One should therefore not generalise too hastily. At the Wellington regional conference the weekend before, it was hard tack with your stewed tea.

Nevertheless, the Labour Party has loosened up a little. Witness last year's Labour Week banquet.

It could be that, after all, this is the dawn of pavlova socialism.

It would be a logical consequence of the influx of urbane liberal professionals after the End of the World on November 29, 1975, when You-know-who was elected and was obviously going to fill the jails with political prisoners in the first six months.

Having failed to get jailed, the urbane liberal professionals — engineers and lawyers and so on — have been taking over the party.

Two of the most prominent branches at the Hasting conference were from the genteel suburbs of St Johns Hill in Wanganui and Fitzherbert in Palmerston North.

The effete did not, however, have it all their own way. Perhaps because a provincial conference is closer to the grassroots, sausages and mash socialism was more evident in speeches from the floor at Hastings than at any Labour Party gathering I have been to for a while.

It was from the sausage and mash quarter that came a sense of realism.

Take the contribution of Gordon Christie, for example, as working class an MP as you would find anywhere.

Christie is not one of the more articulate MPs and has spent his entire, soon-to-end career on the back benches. Yet within the parliamentary Labour Party he is respected and listened to for his uncannily accurate (and at times acute) observation and assessments of political manoeuvrings and consequences.

After the conference had been engrossed for an hour or more in matters of minute social importance, Christie, a man of unmistakeable bluntness, told delegates to stop spending their time on "silly little things that are not going to get us on the Treasury benches".

They should be talking about industrial relations, prices, regional development, education, social welfare and housing.

It was another unionist, Freezing Clerical and Officers' Union national secretary Mike Cullen, who got them on that track, with as fine a piece of chairmanship as I have seen.

To be fair, there was realism in other quarters.

Liberal professional David Lange (a bacon-sandwich socialist) reminded a conference that was later to worry about matters of such monumental importance to the worker's stomach as whether white New Zealanders should be called pakehas and MPs should become Governor-General:

"It is this year that is going to determine whether or not a Labour Government will lead this country through the eighties.

"Any one of you who is sitting back thinking you can take things easy until election year had better wake up.

"It is now that people are looking at us. It is now that people are making up their minds what Labour has to offer."

Lange's urgency is shared by president Jim Anderton, whose well-received speech at the Wellington conference urged the need for tighter organisation, more money (particularly from the unions who now contribute only $30,000 a year) and policy clarification.

On the whole Anderton's energy and determination have contributed materially to all three aims. But his rough treatment earlier in the year of Taupo MP Jack Ridley's intemperate comments about trendies being in control — feelings shared in principle, if not in detail, by many of the unionists whose money Anderton wants — have compounded suspicions of him and his coterie in conservative quarters.

This need to keep a foot on each of two barges pulling steadily apart is making consensus on major policy issues difficult to achieve.

At one level, it is probably contributing to the failure so far to make the sort of impact that would deliver the election to Labour for the asking.

At another — since the long-term trend lines in the Heylen poll are up for Labour and down for National and crossed some months ago — it poses the danger that Labour might win in 1981 without a clear idea of where to go.

Attempts are being made.

We can leave aside the urbane liberal professional fascination with proportional representation — doomed to disappointment, judging by the poor reception for the idea at Wellington, Hastings and Auckland after Dr Geoffrey Palmer's success at the Greymouth conference.

Of more relevance was a brave attempt by a committee of the Auckland conference — which won conference support — to put together guidelines for an economic policy.

It argued that the 1981 election manifesto should be centred round "long-term policy objectives covering at least the next 20 years" and emphasising "self-sufficiency, diversification of export products and export markets, a clear policy on foreign investment and flexibility in foreign policy."

It wanted a long-term development plan emphasising the use of natural resources in "small, specialised, skill-intensive industries", making use, where necessary, of "all the resources of the state, including public ownership and investment."

The statement was notable for its rejection of blanket import licensing and its preference for a tariff policy to ensure "a reasonable general level of protection and competition."

And, though it did not go as far as Richard Prebble, who thought the car industry should be disassembled because it was costing the consumer too much, the committee did contemplate that changes in Government policy on protection might mean some people have to change jobs.

Further, in contrast with the knee-jerk luddism that has characterised much of the reaction of the labour movement to the changes microprocessors must bring, the committee recommended that:

"We should *encourage* the introduction of new technology (such as microprocessors) so that the additional wealth created by this industrial growth and the labour released can be retrained and redeployed in areas of social benefit such as health, education and welfare."

There were echoes at Hastings.

Trevor Stewart, hopeful candidate for Christie's plum Napier seat, warned that the party would be unwise to talk about guaranteed full employment. Instead it would be better to grasp the new technology and think more broadly about the opportunities it opens up.

And another delegate at that meeting: "We may not have the opportunity to provide full employment. But as socialists, our concern is that people lead fulfilling lives which may not mean full employment."

Don't jump too quickly to the conclusion that Labour is getting on board the 1980s. A common reaction at the conferences was a call for shorter working weeks — a defensive, rather than a positive, stance, and essentially a continuation of the piecemeal approach of the past 30 years which has left it at the mercy of economists.

If it is to handle the 1980s with confidence, it might heed the advice of economists Alf Kirk of the Federation of Labour and Suzanne Sniveley of Victoria University.

They told a party seminar in Wellington last month — appropriately marked with a tasty urbane liberal professional dinner — that economists should not be allowed to define the directions and limits of social development.

They should be confined to the status of technical advisers on how to achieve social objectives defined by people with a broader vision.

Surely that is no problem for an historically social engineering Labour Party. Yet, if anything, it is the new breed in the National Party that is closer to that role right now.

Manufacturing

Boat export deal holed on bureaucratic snags

by Warren Berryman

WHEN the Government's sales tax on boats put the lid on the local market for pleasure craft and crippled many in the boat industry, Sea Nymph Boats Ltd emphasised export.

But the Marine Division of the Ministry of Transport has already scuttled one market for Sea Nymph.

In October 1977, Sea Nymph had an order for two trailer yachts from a Bay of Islands charter company. The boats were to be used commercially and required a Marine Division survey.

Plans were sent to the division in October, but there was no reply until late December. By then the customer had tired of waiting and his money was refunded.

But at least Sea Nymph had the plans okayed by the division.

Last July, Sea Nymph won an export order worth $12,500 for the boats from a Queensland charter company.

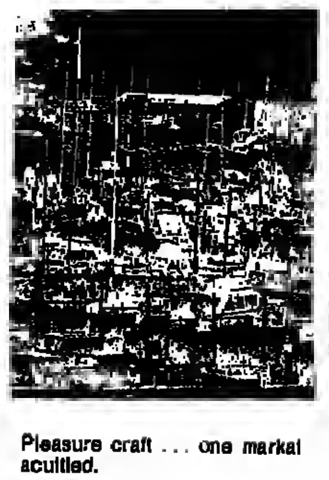
The buyer wanted a New Zealand survey on the boats for a Queensland certificate to use them commercially. Surveying had to be done during construction — not in Queensland after they were finished and delivered.

Both fibreglass boats were to be produced from the same mould.

But the Marine Division wanted two separate sets of plans. A copying machine solved the problem for Sea Nymph.

On July 9 the Auckland office of the division notified Sea Nymph that it couldn't survey boats for export because of obligations to survey boats for local use.

The division suggested Queensland authorities do their survey. This would entail sending someone from Queensland to supervise the boats under construction.



Pleasure craft . . . one market scuttled.

Sea Nymph tried to get Lloyds to survey the boats. But Lloyds has yet to approve the resin used by boat builders here.

Back to square one. Sea Nymph rang the division's office and was told that before the survey could be done they required a Government-to-Government communication asking for the survey.

Sea Nymph rang the buying agent in Brisbane asking for this to be arranged through the Queensland Marine Board.

On July 27 a letter from the Queensland Marine Board advised that the boats would have to be built under the supervision of a "statutory authority or classification society" to obtain approval.

So long as the New Zealand Marine Division okayed the boats, the Queensland Board would follow suit.

That letter was sent to the Auckland office of the Marine Division.

On August 27, Sea Nymph received a letter from the division saying it was prepared only to inspect vessels used in New Zealand.

From August 7 to 15 Sea Nymph continued to ring the Wellington Office of the Marine Division and, in the upshot, it seemed that a copy of the Queensland letter had to be sent to Wellington.

On August 16 a cable from Wellington advised that the Marine Division could act only on a request from the Queensland Marine Board.

Sea Nymph rang Queensland, asking that the Marine Board contact the Wellington office of the Marine Division direct.

The Queensland senior shipwright was in hospital and couldn't send a cable.

On September 5 the Queensland board phoned Wellington but could not contact the person handling the matter.

The Queensland board requested that the New Zealand Marine Department phone Queensland - "collect if they couldn't afford a call."

Sea Nymph asked the Marine Division to do this but was told the division was not allowed to ring collect.

So Sea Nymph said it would pay for the call, but was told that if Queensland officials wanted to talk with the department they should contact the department.

On September 6, Sea Nymph was told by the Marine Division that everything was all right. The boats were surveyed and sent to Australia months after the deal was arranged.

The outcome? According to Sea Nymph partner Peter Cribble, "the boats are gone, we lost a bomb, and we're the laughing stock of Queensland."

But not because Sea Nymph's boats are suspect. The company has three design marks under its belt. And exports are expected to be up 50 per cent this year, in spite of the hassles.

The economy

Piecing together the restructuring puzzle

Economics Correspondent

RESTRUCTURING till recently was one of those safe topics of conversation like the weather or one's health. Whatever restructuring might be, most were agreed that it would be for the good of the country and, in turn, for the good of particular interests.

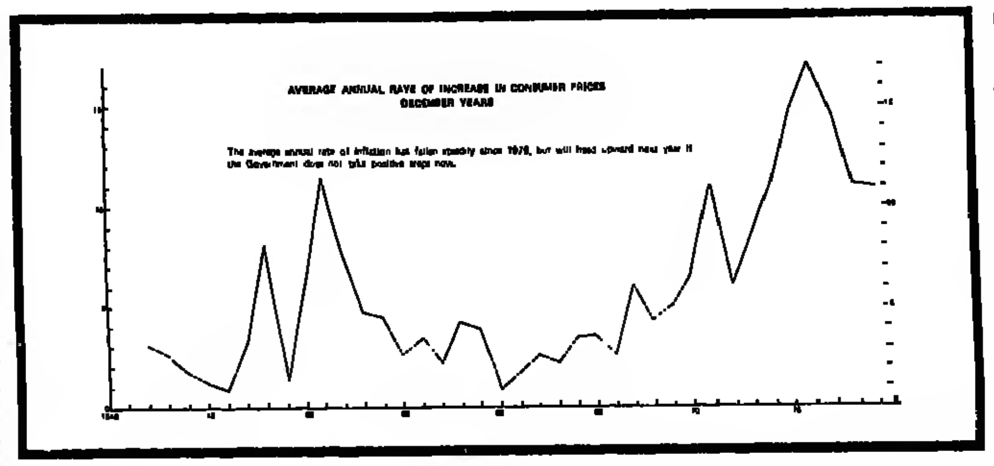
But Prime Minister Rob Muldoon has been giving substance to the word restructuring in recent speeches. And as he unveils the Government's plans for restructuring the economy, the prospect of restructuring is not pleasant for labour-intensive non-export businesses.

Full-employment, an objective of all previous government, has been thrown out with the debris of inefficient firms.

The overall strategy is based on export-led economic growth. To encourage economic growth, the Government intends to move people and resources to where they are employed more productively, to efficient industries which in the Government's eyes have long-term potential.

The goal is to concentrate on making those things we are good at making and to discourage the production of goods which can only be made at unreasonably high prices.

Speaking to the Sydney Chamber of Commerce earlier this year, Muldoon said short-term policies aimed at restructuring have reflected government choice of "opting for no growth". There has been "tight restraint on inward migration and the restructuring of various sections of the economy, commencing with the financial sector, and moving through transport, energy and industry."



And the Government has selected the industries which it feels have long-term potential. Resource-based developments have been instituted in natural gas, electricity, coal, fishing and minerals.

Muldoon says that "by 1987 we expect to be self-sufficient to the extent of 50 per cent of liquid fuels." Development plans for energy and energy-based industry costing some $5 billion are in prospect during the next 10 to 15 years.

The restructuring is intended to add new strength to the balance of payments to enable the rest of the economy to expand more rapidly in the future.

The advantages of this restructuring will not be immediately obvious.

As the Prime Minister told his Sydney audience, "during the period of resource development, our external current account (balance of payments deficit) will worsen initially." But "there will be no problem borrowing the necessary finance both for current account purposes and for development".

And in the long run, "the investment projects will either earn or save foreign exchange well in excess of what is required to service the loans."

"Our inflation rate is of continuing concern", but Muldoon said that short-term policies will be directed towards reducing it.

As the chart shows, inflation was at higher levels in the 1970s than any time since World War II. While the rate was reducing in the late-1970s, it could turn upwards again in the 1980s if Muldoon's short-term policies are ineffectual.

And unemployment may rise during the first stage of restructuring. As Muldoon points out, "capital intensive resource developments do not necessarily provide jobs in the right locations to provide full employment".

As the balance of payments is strengthened through resource development, "the more labour intensive industries will find it difficult to compete internationally."

There are thousands of jobs at stake. But the Prime Minister has some soothing words for those who may worry about such things.

Restructuring is not about some kind of explosion of effort and massive disruptive change. "We are moving with an overriding concern for stability in the level of activity and employment . . . we are developing new opportunities in step with the release of resources elsewhere."

Speaking last month at the opening of the Taranki Savings Bank complex, Muldoon offered assurances to critics of development programmes concerned that the increase in jobs will not be sufficient to employ a growing labour force.

He said "the faster growth that will be possible in the rest of the economy because of the eases of the balance of payments will go a long way towards getting back to full employment. We will be able to afford more non-oil imports of raw materials, so that industry will be able to expand. There will be a greater demand for services. Both of these trends will lend to an increased demand for labour."

Muldoon claims that "if we can make the necessary sacrifices now . . . there is no reason to be pessimistic about the future . . . there is no reason to doubt the ability of the Government to produce more jobs . . ."

If Muldoon's plans for restructuring are to be successful, he must convince the country's business planners and potential members of the labour force that short-term hurt is worth the long-term gain. The reasoning about the future benefits of economic growth may be convincing.

But for those who do not wish to toe the line following the carrot on the stick of future expectations, Muldoon has developed an ingenious whip. He is threatening to introduce competition in the labour force by importing skilled labour.

Speaking in Sydney, he may have been trying to tempt New Zealanders home. He said that "shortage of skilled labour may be a problem that will require new approaches to training, although we expect many skilled New Zealanders to return as the major energy based development gets underway."

Speaking in New Zealand at Taranki, he told a somewhat different story. Shortages of vital skills in critical parts of the economy are going to have to be provided locally or imported. "They may cost more than we are accustomed to because, at the time, there will be serious competition inside and outside New Zealand for people with special skills."

"They may demand rates of pay greatly in excess of those paid for equivalent positions existing elsewhere in New Zealand. The Government may have to devise ways and means of ensuring that such increases do not boil over into the whole of the industrial sector creating again the outmoded and unrealistic disputes about relativities."

Restructuring, as Muldoon sees it, will see some of the most profound changes in our recent history. Are these changes worth it. Are they worth more unemployment or a widening gap in income distribution?

Admark

Progeni: and a PR exercise to sell the intangible

by Greg Wiggs

A COMPANY with a history of vigorous growth is likely to find at some point that the basic concepts which guided its early destiny have become outdated. A change of direction is then indicated.

The new look may result from a shift in the product mix requiring a move into new markets, from changing demands in the marketplace or from the new increased scale of operation.

The velocity of change calls for a new positioning of the company and, invariably, n new and different image.

In these circumstances, a change of name is an obvious nnd popular ploy. This can be an expensive and sometimes confusing operatinn and, unless all the other elements for image change are present, the company may well find itself exchanging one hat for another.

The right way is to present customers and the target market with the reasons for the name change and introduce the new philosophies, the new modus, the resultant new products as part of the imnge graft surgery which will result in a new company personality.

A leading New Zealand computer software organisation, formerly known as Systems & Programs (NZ) Ltd has just changed its nnme to Progeni Systems Limited.

In 12 yenrs, the compnny's initial staff of four had grown to more than 70. It had two offices in New Zealand, two in Australia and a branch in Los Angeles.

It had marketed its services successfully in six overseas countries and continued to compete successfully with international rivals.

None of this was unique. Other New Zealand companies had proved their ability to trade successfully overseas in high technology fields. And this success could have been a natural follow-on from the knowhow and effort applied domestically. But two developments had changed the company's business orbit.

Instead of hand-crafting software for each application, it devised methodology for using existing modules – pre-tested blocks of common code – and employing computers to automate production.

And it found itself increasingly specialising in certain fields, such as control systems.

New methodology, specialisation and overseas involvement brought new emphases to different facets of the operation – and the image and name change was on. New to New Zealand, the name had already been used for a subsidiary operation overseas.

Progeni was launched at a function in Wellington in a simple but effective public relations exercise.

The set-piece was an audio-visual presentation. It is not an easy thing to present a product that can't be seen, tasted or felt and, what is more, one that results from a high technology incomprehensible to other than the expert.

The presentation, keyed to management level, showed Progeni in terms of people, of organisation, of management, of services available, applications and specific installations.

It was factual, clear, professional. In overtly presenting the reasons for the name change it actually drew the blueprint of a new organisational construct. And it was relatively brief.

A booklet was distributed which encapsulated the story in permanent form.

In an image update, the questions that need to be answered are – why is it needed, when would it be appropriate and how is it to be carried out. Progeni seems to have most of the answers.

Film costs hit TV budgets

A 50 PER cent increase in the cost of film is sending Television New Zealand reeling.

Programme budgets for the year were worked out before the rise became apparent and some productions may now cost at least 50 per cent more to make.

News and current affairs programmes particularly will be hard hit. Cutting ratios (the amount of film shot to the length that is broadcast) have already been trimmed to cut costs before the latest price increase induced by moving silver prices.

Usually the more film shot the better the end result, but the film thrown away is "like throwing away dollar bills".

Individual programme budgets have yet to be reworked to take account of the price rises, although one option open to producers is to give audiences more live television.

MR JOE HANSON
PUBLISHER OF 'FOLIO MAGAZINE'

Resource development

Synthol: Rand study points to $1 billion project

by John Draper

MOBIL's synthetic petrol process may cost more than $1 billion to bring into production.

Huge cost over-runs, up to four or five times the original estimates are the norm for "first of a kind" energy plants, according to a study for the United States Department of Energy.

Published by the Rand Corporation last year, the study shows that the final cost for four major energy plants increased by 141 per cent, in real terms, from the preliminary estimate through to production.

Another, still under construction when the report was written, was already costing four times the original estimate.

"Estimates of capital costs of pioneer energy process plants have been poor predictors of actual capital costs," the report says.

"Pre-design and early design estimates (even in constant dollars) have routinely understated definitive design estimates or ultimate costs by more thnn 100 per cent for oil shale, coal gasification and liquification, tar sands, solid waste and nuclear fuel reprocessing plants."

Cost growth creates significant planning and management problems both for government and industry, the report says.

For industry, cost growth has led to cancelled plans, wasted costly design efforts and, in some cases, significant losses where premature capital commitments have been made.

And for government energy officials, cost growth has made research and development allocation decisions difficult, has increased the uncertainty in supply planning and has hampered commercialisation planning efforts.

Four factors are primarily responsible for cost estimation error, the report says:

- Plants and process uncertainty;
- Estimation methodology;
- Project organisation;
- Outside factors on costs.

"Scope and design changes and introducing new technology are the most frequently mentioned sources of estimation problems under the first category", the report says.

"The inherent limitations of estimating methods are especially acute for pioneer plants."

Current estimates for the Mobil synthol process of producing petrol are $450 million, $150 million for each 2000 tonne a day methanol plant and the balance for the Mobil process.

Already the Government is talking of $200 million as the cost of the Taranaki stand-alone methanol plant, and similar prices are likely for the Mobil plants.

Mobil's process has been tested on a small-scale but New Zealand will be pioneering the technology in commercial production.

Mobil is now working on the detailed design as part of a full feasibility study on the project. As yet there is no certainty that the plant will get the go ahead.

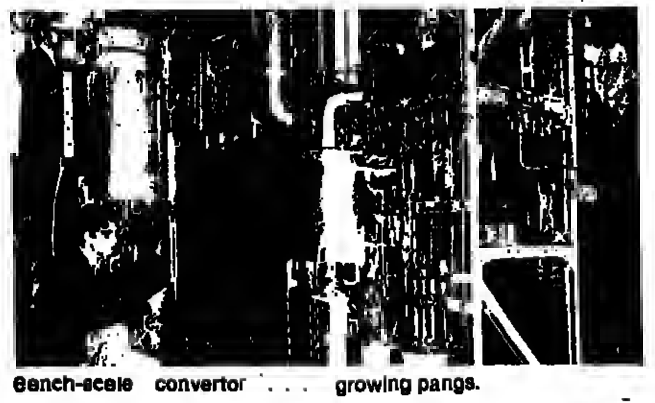
By the time that decision is made, costs may have doubled.

The Rand report shows that, on average, costs between the initial estimate and the preliminary design stage rise by 84 per cent in real terms and much more in dollars of the day.

Costs are not the only problems the Mobil plant might have to contend with.

Construction for five of 10 plants studied for the Rand report were cancelled, seriously delayed or suspended indefinately.

Of the four plants that were actually constructed in the United States, one failed to operate, one cannot be operated for want of regulatory approval, one has not achieved either sustained operation or more than 50 per cent of design capacity three years after the end of construction and one is now experiencing some difficulty in start up.



Bench-scale convertor . . . growing pangs.

The design of the remaining plant was still on schedule as the report was written but one of the partners withdrew its 50 per cent share, citing "increased capital cost estimates" as the reason.

Mobil's synthol process was chosen by the Government over the Fischer-Tropsch process of converting gas into synthetic crude on the "grounds of clear economic advantage".

South Africa has adapted the Fischer-Tropsch process used by the Germans during World War II to produce crude oil from coal. The Sasol process can be adapted to use natural gas, though that is not being done anywhere at present.

Mobil's synthol process has been praised by other oil companies for its simplicity and efficiency. Methanol is squeezed through the catalyst, which is the key to the process, reforming the molecules into high grade petrol.

And Mobil claims that the catalyst is already in proven commercial use in other processes.

A pilot synthol plant is working in the United States, but as the Rand report points out there are often problems encountered in scaling up projects.

Examples quoted by the report show what can happen even when the advocates are confident of success.

Monsanto sold a gas pyrolis solid waste recovery plant to the city of Baltimore in 1973, after running successful trials on a 35-ton-a-day pilot plant.

"Monsanto's confidence that the plant could easily be scaled up to a 1000-tonne-a-day pioneer commercial plant proved to be misplaced," the report says.

"As of February 1977, two years after the plant was supposed to be in full operation, it had not exceeded 50 per cent of design capacity and no sustained operation had been achieved. Monsanto withdrew from the project, and city officials estimated the capital cost needed to bring the plant to design capacity to be an additional $12 million".

Nor is the Sasol process exempt from cost over-runs. Six plants using the process to produce synthetic natural gas were subject to a tripling of costs between planning and design stages despite the work being handled by Fluor, which has the marketing rights to the Sasol process in North America, leading to the eventual cancellation of all the projects.

Profile

Macdonald builds on nucleus of skilled traders

by Ann Taylor

HE exports turkeys to the Pacific Islands, administers the Finnish Consulate, brokers the country's "big deals" and heads one of the largest import-export businesses.

He is Ron Macdonald and as head of R C Macdonalds Ltd his interests are forestry and fishing, not hamburgers.

His approach is definitely low-key and he regards public announcements as "ego trips".

"I've been told I'm the quiet one," says Macdonald.

"It's much better to believe in what you're doing, know it can be done and do it. I'm a great believer in what I do."

Macdonald was born in Queenstown in 1921 into a family involved in the area since 1870. His grandfather, John Kincaide, had an engineering business in Dunedin which built gold-mining equipment, and ships including the early vessels which sailed on Lake Wakatipu.

He was educated at Otago Boys' High School, where he discovered his "fly-paper memory". Then he had a "very ordinary office boy job" before joining the Fleet Air Arm.

After spending most of the war "sitting on my back in hospital", he applied to go to medical school but "wasn't equal to the hurdles" and spent "most of my substance on riotous living".

Macdonald's mother died when he was eight years old, and a friend's mother – filling the maternal gap – forced him to apply for a job as assistant manager of a cleaning company. "That was as far away from my goals and aspirations as the moon."

From the Dunedin office of a then embryonic Crothalls, Macdonald ended up in Wellington managing 2000 people employed in the central districts area.

He helped Crothalls open a number of branches and acknowledges a life-time debt to the company. "Their training systems and methods taught me how to look at and analyse a problem. I still do it – divide a page into two, state the problem as clearly as I can, do a break-down of the things necessary for a job and identify the problems and possible answers."

The "sophisticated common sense applied by Crothalls" and "the salutory lessons of the Depression – I learnt to work hard" are considered two major "gifts" by Macdonald.

After the gold rush, his grandfather had started breaking up the machinery and supplying scrap to an iron-hungry country through a steel and foundry business.

His father, a marine engineer before he came ashore, also operated an iron and steel scrap business, exporting to Britain and Japan. In 1950 he took ill, Macdonald resigned from Crothalls – but not to help his father, who "had no time for new systems". He set up his own business.

Ron Macdonald . . . gift of sophisticated commonsense.

Macdonald started Industrial Metals ltd with £300, 50 per cent of it subscribed, and established scrap yards up and down the country, eventually handling 80 per cent of New Zealands non-ferrous metal exports to Britain, Italy, America and Japan.

Inmetals, as the company came to be known, also dealt in new and used machinery, importing from the Sheffield company Thomas W Ward Ltd with which the Macdonald family has had contact for more than 50 years.

Because of credit restrictions and changing overseas demand, there were long periods when the export of steel scrap halted.

Macdonald went abroad to study how to make steel. When he returned, he put to Government proposals for what is now known as Pacific Steel Ltd.

"Few people believed that the technological and economic guarantees we gave, for the project were viable," he says. "The predicted growth pattern was borne out, and the 50,000 tonnes of steel for Fletchers, (co-sponsors of Pacific Steel) were delivered."

Macdonald was on the board of directors for 16 years after selling Inmetals to Pacific Steel for shares and cash. Four years ago he retired from the board and sold his shares, but retains a close association.

"We needed the money in new business," he says.

With the 15 residue staff, machinery trading and non-ferrous exports left over from the sale to Pacific Steel, Macdonald took another tack.

"We decided to specialise in doing and achieving the things that New Zealand and New Zealanders should be good at." That was farming, forestry and fishing.

Capital and expertise was lacking, but: "What we did have was a nucleus of skilled traders, by nature risk takers, but with personal integrity and discipline." They are qualities Macdonald looks for in all his staff.

Without a forest, but sure of its ability to sell, R C Macdonalds Ltd started buying wood products for Japanese companies in 1968. The company had a turnover of $40 million last year.

Macdonald considers himself leader, but very much part of the team. "We each have special roles. My own is identifying new roles for the company and bringing them to the development stage," he says.

Macdonald was the first New Zealander to be international president of PBEC, (he held office in 1977 and 1978).

Macdonald is the Finnish Consul-General in New Zealand, which imports technology and exports kiwifruit. "I hope they will tender for the next ferry," says Macdonald.

He is concerned about the industrial scene here. "I am bewildered at how we can run a so-called democracy which allows sectors of the economy to be dominated by factions which have no parliamentary base."

He agrees there is a need for free debate and the airing of views, but "what's the use of having the right to vote if elected platforms are inhibited from being carried out. The ones in power should be supported," he argues.

Macdonald "gets on fine" with the Government. "I think the Prime Minister is a man of outstanding courage, and is head and shoulders above the others in integrity and thinking about what's good for this country." But: "He does not have a glamorous personality."

Macdonald sees major changes taking place in the structure of New Zealand companies. And he asserts: Companies and financial institutions that rely on past performance and continuity as forming the basis for future borrowing are a complete anachronism in today's world. Change and upheaval is the name of the game as energy, inflation, and international unrest become household words."

Macdonald says New Zealand should use foreign investment honourably, but believes we lack confidence in our own developments.

He is "200 per cent private enterprise" and believes New Zealand can rectify its standard of living. "We are one of the energy-rich nations".

He identifies Government equivocation and management/worker hassles as the bones of contention. He thinks New Zealand has one knee down on the floor and the other touching. "We need both down before we realise we only have ourselves to help."

Macdonald is chairman of directors of Ipsco Sales and Manufacturing Ltd and a director of Ivor Watkins Dow ltd, Niven Industries Ltd, and Michaelis Bayley (NZ) Ltd.

With his own emphasis on integrity and discipline, he comes across as a straight-forward honest man, doing what he sincerely believes is best for his company and country.

Now into energy project broking

R C MACDONALD Ltd, an import-export company with an annual turnover of $40 million, acts as broker for some major New Zealand projects.

The company most recently has become involved in the development of the country's natural resources.

It was the intermediary in securing ammonia urea plant contracts for Britain's Capital International Ltd.

Chairman of directors Ron Macdonald, describes the ammonia-urea plant as a "transparently good thing for New Zealand".

When approached by Petrocorp, Macdonalds, went to Capital Plant International which introduced it to Alberta Gas and Chemicals. Because of that introduction and previous relationships, Ron Macdonald hopes Capital will be the main contractor for the methanol plant.

The sophisticated marketing techniques and technological expertise needed for methanol production have seen AGC through the establishment of two methanol plants in Canada.

He is confident about his company's bid for a ferro-silicon plant in Southland. "I believe the Government are concerned with profitability, and regard ferro-silicon as a good use of indigenous resources."

Macdonald would like to see imitated here, a plant built by Icelandic Alloys Ltd, which is building a ferro-silicon smelter at Grundartangi in Iceland.

"I think people are going to discover that even though the technology is being developed, New Zealand gravels present a large problem in their size," says Macdonald.

"I am confident the Norwegians have the technology".

The special projects division of his company is seeking Government encouragement to send a shipload of gravels to Norway for testing.

When, Macdonald formed the company, he was confident of its ability to sell and began by buying logs for Nomura Trading Co and Surtomo Forestry of Japan.

After Forest Products, Macdonalds Ltd is now the largest exporter of timber commodities.

Lotus Enterprises, a subsidiary wholly owned by Macdonalds, was formed to design and manufacture forestry machinery. The private company has a capital base of $54,000.

With help from DFC, forestry companies, Fletchers and the Forest Research Institute, the company has overcome the hurdle of two or three year lead times for development, and $80,000 has been spent recently marketing an exclusively New Zealand design for the recovery of pulp wood – the Lotus hydrostatic skyline machine.

Without a farm or meat works, but with broking and marketing skills, the company began exporting meat. It now trades with 60 countries and enjoys the confidence of the meat producers.

The call for diversification of markets was not traumatic for Macdonalds Ltd. "Our role is to accept all commercial risks".

A forray into fishing, abiding by "subject to catch" contracts, was traumatic. "We learnt our lesson the hard way," says Macdonald, who insists he will never get into anything "till we can get title to the product."

The joint-venture fishing company, 51 per cent New Zealand owned, in which Macdonalds has a holding through its subsidiary company, Macdonalds Investment Ltd, started 12 months ago with German partners Hanseatische Hochseefischerei. The vessel Wessemunde is deep sea trawling out of Bluff.

Now on to the first stage of the commercial venture after a year's German-sponsored research, Macdonald hopes it will be a success.

The Pacific Islands division acts as a local trading house between the islands of Papua New Guinea, Indonesia, French Polynesia, the Tokelaus and so on.

The import division run by son John Macdonald, relying on old relationships with scrap and steel suppliers, supplies consumable stores and plant for steel, foundry and heavy industries.

The Auckland office imports industrial chemicals and special food packs.

The shipping division, the only non-trading part of the company, deals with documentation, costing, co-ordination of cargo movement, customs clearance, and all the other business of an import, export house.

Macdonald's office door is always open for his staff of 45.

"This company starts with people," he says. Given that there is $1 million turnover a year for each person on the staff, it is not surprising that some of the company's ratios look strange.

Some of the staff have been with the company for years; new people come in with fresh ventures and ideas.

Government administration

McLay pushes neighbourhood law into cold

by Rae Mazengarb

THE Government's refusal to finance the Grey Lynn Neighbourhood Law Office for a further year, not only places the Auckland community venture in jeopardy, but will block attempts to set up similar facilities elsewhere.

Both the Auckland District Law Society and New Zealand Law Society had pressed the Government for continued financial support.

But Justice Minister Jim McLay said the Government would make no further grants to the venture.

He suggested the NLO – which serves the needs of an estimated 14,000 people in the vicinity – was the responsibility of the legal profession, rather than Government.

The office should widen its services into more lucrative work and impose more rigorous means tests on clients to bolster its income, he said.

Ironically, the decision comes before the completion by the Justice Department of a thorough review of the country's current legal aid facilities, and the total legal requirements of the community.

And more specifically the decision came on the eve of a Justice Department survey to determine the benefits of the work of a neighbourhood law office.

The department's "inept initial approach" to the survey had stalled the matter for a year, Law Society president Len Southwick said.

But most of the department's more unworkable and ethically unacceptable suggestions had recently been abandoned, and the survey had looked ready to proceed.

Survey or no survey, McLay said he had given the matter "the most careful consideration".

He pointed out that the Government had supported the NLO for two years (to the extent of more than 50 percent of its total operating budget), but it had now reached the stage where it was no longer a pilot scheme.

If the long-term need for a neighbourhood law office had been established, funding arrangements should have been made by the Law Society and other sponsors, he said.

He pointed out that the Law Society had chosen initially to go it alone without reaching agreement with the Government as to the nature of the service and how it was to be funded beyond the pilot stage.

On permanent funding, McLay doubted the appropriateness of using "taxpayers' money" to provide a service "that is substantially the function of the legal profession".

The Law Society is now appealing for help from organisations which have previously made grants to the NLO.

The office requires finance of $45,000 to keep it going.

As Southwick said, the decision means "an infinitesimal saving for the Government, but it must jeopardise the future of the office".

The only scheme of its kind in the country, the Grey Lynn Office opened in August 1977 as a pilot scheme to provide legal services to people who could not afford other solicitors, or did not know how to get help.

In both 1978 and 1979 the Government made grants of $20,000 to the service.

Expenses for the year to March 31, 1979 totalled nearly $32,000. The NLO's income for that year totalled just over $37,000, of which $29,000 came from grants, the rest from client donations (usually a nominal sum of $3 a client is requested), legal aid recoveries and interest.

With higher overheads, expenditure for the year to March 31, 1980 is expected to be about $46,000. Funds on hand at that time will amount to only $7722.

But McLay told *NBR* when the second grant was made the Government had made clear that it was with the express condition that the Government conduct a survey to assess the needs of the people in the area and determine if the NLO was the appropriate service to meet those needs.

The Government wanted to be sure the NLO met a need that could not be met from conventional sources – ordinary solicitors and the 10-year-old legal aid scheme.

But those involved with the NLO couldn't allow Government to "pry" into the private affairs of clients. So they had to frame a questionnaire which would protect the confidentiality of people using the scheme. It has taken more than a year for the Justice Department and NLO to reach agreement.

Southwick said that in the past year about 6000 people with low incomes had been helped by the office.

Most were Maoris and Pacific Islanders worried about housing, matrimonial and immigration problems, or facing criminal charges, "often arising out of their lack of understanding of New Zealand laws and customs".

Auckland district president John Henry said many were reluctant to go to conventional lawyers (there are none in the heart of the area, anyway) and many did not know how to obtain legal services.

The NLO was geared up to cater for this aspect. It was in the neighbourhood, informal and low key, he said.

Henry said many of the residents' problems were not ones which lawyers are accustomed to handling. And there was the problem of payment. NLO clients were asked to contribute only a nominal amount toward expenses, though some paid more, if they could.

Two solicitors man the NLO. A supervisory committee appointed by the ADLS, on behalf of the NZLS, overseas administration, assisted by an advisory group of local residents who are mainly Polynesian.

Jim McLay . . . legal profession's responsibility.

Their task is to inform residents of the service and keep the office in touch with the problems and requirements in the neighbourhood.

But McLay had told *NBR* before the decision was announced that he was not convinced the NLO met a need that could not be met by other means. Areas such as Wellington's Newtown had similar problems, but conventional services and the legal aid scheme appeared to be sufficient in those places, he said.

The Law Society disagrees.

"The truth is that there are a lot of under-privileged people with legal problems who need special help," said Southwick.

He pointed out that the legal aid scheme in itself "would make no real contribution to solving the problem".

"This was a problem for which the whole of society must take responsibility. "Nowhere else in the world, so far as I'm aware, is such a scheme not State assisted," he said.

On the broad question of the concept of neighbourhood law offices, Southwick said the Law Society had taken the initiative in Grey Lynn and had proved a need. It was now up to the Government to look to the problems of disadvantaged people in other areas also.

McLay's suggestions of alternative means of financing such schemes have been described by the Law Society as "impractical".

Southwick said that as far as further aid from the legal profession was concerned, "together with other members of the community the profession has already contributed generously both money and time in respect of the NLO and also citizens' advice bureaus throughout the country".

"I find it difficult to understand how it can be suggested that an established social need should be financed by the legal profession," he said.

Means tests on clients were hardly realistic when only around 5 per cent of NLO clients could be described as other than "poor", he said.

Regarding a wider range of fee-generating services, not only did the office not have the time to handle conveyancing or commercial work, but people requiring this type of work could afford to consult other solicitors.

Wedding bells with Govt clanger

THOSE of our readers contemplating marriage should be delighted to learn that in 1977 a new set of marriage regulations prescribed a form of notice of intention to marry (which for those people wishing to be married in church operates as an application for a marriage licence).

The new form provides a space for an indication of the profession or occupation of the mother of the bride and groom. (Previously it seems to have been assumed that only their fathers could have a profession or occupation).

But in a move that in these cost-conscious times can only be applauded, the various registry offices have been provided only with the old form. That form, of course is no longer the "prescribed form" required by the Marriage Act 1955, but its use is no doubt a great saver of money to the Department of Justice.

In another astute move the department has homed in on potential bigamists. Normally an applicant for a marriage licence must wait three days before it is approved. Most people suppose that this is to enable officials to check on whether anybody is already married.

Until a few years ago the registrar simply did nothing for three days, then handed over the licence. The only rationale for the delay seemed to be that marriage in some way is like the purchase of encyclopaedias from door-to-door salesmen, and therefore potential "purchasers" should be allowed a "cooling off" period.

But this changed. Not only have officers been instructed to check the records of all aspiring brides and grooms who admit to having previously been married (though not, alas, the records of persons prepared to lie about it); they have also been instructed not to issue a licence in respect of any person who says he or she is divorced until the actual decree absolute, or a letter from a solicitor stating that one has been obtained, is produced.

There is, unfortunately, no authority for a licence to be refused in those circumstances. Section 24(1) of the Act *requires* the registrar to issue a licence if the application is in order, and the application form (both the legal "prescribed" form and the unsanctioned form supplied to officials) provides only for the applicant to supply one date of the decree absolute.

The department also provides a potential bride with a form, purportedly under section 47 of the Electoral Act, to enable her change of name and address to be made known to the appropriate electorate officer. The form advises that it is to be completed by all brides of 18 and over.

But section 47 of the Electoral Act doesn't require the *bride* to fill in the form. Indeed, it doesn't even say *anybody* has to fill in a form. All it says is that the *registrar* concerned must notify the appropriate electoral officer.

But, by devising this form, the onus of notifying the electoral officer has been shifted from the registrar to the bride-to-be.

The Registrar-General under the Marriage Act 1955, by the way, is the same Jack Wright who supervised the electoral roll last year.

Wright retires in May and will be succeeded by his deputy Peter Horne.

O'Brien on business

Australian Budget bursts with information

PETER V O'BRIEN comments on ihe financiel end busineas week, appraises the ahere market and anelyees company accounts.

THE high-powered New Zealand officials who are discussing economic co-operation with Australians should take time out to ask questions about the Australian Government's disclosure of economic information in its budget papers.

The 1979 Australian Budget speech and statements is a 303 page book. That excludes detailed estimates of receipts and expenditure, which are Included in a separate "budget paper".

Another book sets out the civil works programme, and other papers provide information on assistance to states, (irrelevant in the New Zealand context) and general economic documents, which are similar to those published in New Zealand, although containing more detail.

Australian Treasurer John Howard did not talk for those 303 pages. His speech is contained in 28 pages, compared with the 38 pages of our very own Rob Muldoon.

The difference is in the material attached to the budget. New Zealand provides a few tables, with little detail.

Australians can refer immediately to a wealth of material, excluding the other papers mentioned earlier.

Statement No 2 is 56 pages on *The Budget and The Economy*, containing a review of economic developments in 1978-79. The New Zealand Minister of Finance covers that topic sketchily in the text of his budget speech.

The Australian review deals with demand and output, the labour market, prices, incomes, monetary conditions, the balance of payments and world economic developments.

A policy review follows the examination of the previous year. It discusses fiscal, monetary, external, and wages and prices policies, and looks candidly at "policy achievements and policy options".

The statement then turns to the economic outlook in the year to which the budget relates, fleshing out the Treasurer's summary.

Statement No 3 is an estimate of outlays for the current year. This is effectively a summary of the separate budget paper *Estimates of Receipts and Summary of Expenditures 1979-80*, but in some cases it has more information than appears in the full *Estimates of Expenditure of the Government of New Zealand*, particularly in the notes. They explain the out-turns for the previous year and give reasons for changes in the current term.

Similar comments apply to the summary of government receipts, with the important addition that the Australians break down estimates of income tax receipts between individuals and companies. The individuals' amount includes a deduction for tax refunds.

In New Zealand we get one global figure.

The supplementary budget papers allow Australians to see what will be spent or received in every aspect of the Government's financing.

This information is unavailable in New Zealand because the government refuses to make it public. Consequently, it is impossible to assess the effectiveness of financial administration in this country, or the accuracy of each component's estimate.

Statement No 5 in the Australian Budget is an analysis of the previous year's budget outcome. Each "major functional block" is discussed, with reasons given for the variations from budget, although some comments are brief.

Compare that with the minimal press statement our Finance Minister issues when he releases the year's public accounts.

One random selection shows the difference:

"Industry Assistance and Development down $28 million. Overruns on Budget estimates occurred in respect of fertiliser bounties ($7 million) and the petroleum products subsidy scheme ($8 million), the latter reflecting a larger than assumed freight cost differential.

"These were more than offset by shortfalls in beef industry assistance payments (down $9 million, largely because residual payments for this scheme were less than estimated); net outlays on cattle disease eradication (down $6 million, mainly because of lower than estimated slaughter compensation payments and higher collections from the livestock slaughter levy); price [...] for dairy products [...] million, reflecting [...] export market returns [...] milk powder and [...] butter production [...] adjustment assistance [...] $2 million). Other [...] occurred in [...] payments for the [...] uranium project and [...] research (down $1 million [...] each case). Improved [...] prices resulted [...] payments to the [...] company being $2 m[...] than the budget estimate."

In New Zealand we [...] to the "tell'em [...]" philosophy. This [...] ministers and others [...] like close examination [...] stewardship, but [...] counter-productive.

When the information [...] withheld, people [...] their own conclusions.

Those conclusions [...] absence of proper [...] tions) will usually [...] worst assessment of [...] withholding the info[...]

Strange as it may [...] our political overlords [...] one makes minis[...] cluding ministers [...] tabled public [...] whom Finance Minis[...] down will hear no [...] even to the extent of [...] defending their advi[...] they have finalised [...]

Most informed [...] know that economic [...] ing is a difficult busi[...] administration [...] why it is spending [...] amount of dollars [...] explains what happ[...] each aspect of gov[...] much of the present [...] would be dissipated [...] thought is dreadful [...] haps we can learn from [...] Australians.

O'Brien on business

Annual reports: analyst calls for disclosure

THE call for an improvement in company annual reports, particularly in the area of financial disclosure is the subject of a detailed article in the February issue of *The Accountants' Journal*.

The Public Report is the work of Gerald Naughton, a senior share analyst with the AMP Society.

Naughton's article was first written about two years ago for private circulation. The time lag between the article's composition and its appearance in *The Accountants Journal* means that some current issues receive minor treatment, because they were probably matters of secondary importance at the time of writing.

Naughton identifies four classes of "user" when discussing what they need from an annual report. The classes are; shareholder (and convertible security holder); debenture holders; employees; consumer groups; and environmental groups.

Naughton told *NBR* last week that the shareholder and debenture users include potential share and debenture holders. That is an important addition, because a sensible investor would look at a company's annual report before committing funds.

Users could also be extended to include public or quasi-public bodies. A considerable amount of economic and business research is based on the reports of public companies, whether in academic institutions or in the public sector (for example, the Reserve Bank's financial statistics and the activities of other government departments).

Naughton envisages an annual report with five sections: financial, chairman's statement, company description, social and "other information".

The income and distributions section would include most of the information that commentators and observers have requested for years (and which companies are slowly publishing).

There is a current issue in this area which is ommitted from the recommendations, apparently because it was not particularly important in recent years. Naughton wants companies to explain extraordinary items, and to reveal the exchange gain or loss on overseas loans.

The disclosure of exchange movements on trading figures is now more important under the new exchange rate regime (see Analysing Annual Accounts — Borthwicks (*NBR* February 18) and Waitaki New Zealand Refrigerating (*NBR* March 3). Few companies seem prepared to give this information, but there is hope that the more enlightened may include the data in future accounts.

Naughton's "statement of income and distributions" would list income from sales and income from investments. The expenditure section of the statement has provision for the cost of raw materials, labour, depreciation, maintenance, energy finance, provision for doubtful debts, and other costs.

"Energy" is included as a separate costs, "due to the growing importance and cost of this area, although in some companies the actual amount may not be significant."

The comment under "chairman's statement" may be more charitable to company chairmen than is warranted by the waffle, which in many cases, passes for an informative comment on the year:

"The purpose of thise statement is for the chairman to present the board's opinion upon the performance of the company in the year under review, and an impression of the short and longer term future of the company and the factors that will affect the company the most. Through this statement the chairman has the opportunity to present the company to the public. Thus its contents must be left to his own discretion, bearing in mind the overall aim of the statement".

The operative word is "opportunity", and the exercise of discretion often results in chairmen refusing to take the opportunity to present the company to the public.

Naughton's statement of financial position would elaborate the information in the standard balance sheet, with a note giving the current value of assets, rather than presenting the figures in the form of inflation accounting. This is common practice overseas (and required by law in Britain for fixed assets), but is notable by its absence in New Zealand.

The question of asset values raises the difficult question of "off balance sheet" items. Naughton told *NBR* last week that this area was not considered in his report format.

The issue has received considerable discussion in the United States, and has particular relevance to companies operating in leasing and renting to those organisations which use leased assets as a base for their business.

General Finance Ltd's treatment of the Group Rentals subsidiary raised the point recently (*NBR* February 25). General Finance revalued the disposal value of television sets in the Group Rentals accounts. There was an appropriate adjustment to depreciation figures in the consolidated accounts, but the sets remained in the accounts at cost.

Rental companies also make no allowance in their published information for the ongoing value of rental or lease agreements. Unlike hire or conditional purchase accounts, these agreements have an ongoing value to the business, which naturally is not reflected in the accounts, but is used to assess the true "value" of the company.

The real value of Group Rentals, for example, as assessed by "independent valuation" is unknown, except to the directors. The shareholders (now only a few since the heavy buying of GF shares on the market) have no idea of the real value of their company.

In the context of Naughton's article these are relatively minor matters. The proposals deserve serious consideration among public companies. They go a long way to improve company disclosure, and should receive the attention of the legislature, if that body has any interest in the issues raised.

Court overrules Commerce Commission

THE Supreme Court has overturned o decisian of the Commerce Commission regarding a price guide issued hy the Hotel Assaciotion of New Zealand.

Chief Justice Sir Ronald Davison held last week that the commission was wrong, on the evidence, in holding that the Examiner of Trade Practices had established a trade practice contrary to the public interest, and that the commission misdirected itself as to the manner in which it should approach the question of whether a trade practice would have effects of demonstrable benefit to the public, sufficient to outweigh any of the detrimental effects.

The case rose from an inquiry into collective pricing agreements operoted by HANZ in regard to sales of beer and spirits for consumption off licensed premises (effectively fram bottle stores).

The commission found that the agreements were trade practices contrary to the public interest because they hud three effects set out in the Commerce Act:

The commission further held that it had not been satisfied that any individual benefit to the public of the practicea, or their effect in total, was sufficient to outweigh the harmful effects.

HANZ appealed on four grounds:

- That the commission failed to reach a decision in accordance with the weight of evidence in regard to increases in prices and preventing a reduction in costs;
- That the commission misdirected itself in law os to the hasis on which it should act when considering questions of public henefit nnd unreasonableness;
- That the commissian, when dealing with the application of the Examiner of Commercial Practices to revake an earlier approval af the pricing agreements, misdirected itself on the anus of proof;
- That when cansidering the evidence regarding public benefit and unreasonableness the commission failed to reach a decision in accordance with the weight of evidence.

The Chief Justice upheld HANZ oo the first ond secand grounds, dismissed the third ground, and did not consider it necessary to decide the fourth.

In regard to the first ground, Dovison, C J said:

"There wns no real evidence to support the commisaion's conclusion. There was no evidence to say thot in the ahsence of the price guides the effects would he different. The caminissian accepted that there were reasons other than the absence af price guides which resulted in reduced prices in Dunedin, namely, excess licences and competition. The evidence of the price differences in two hotels, one in Wellington ond one in Christchurch, showed in the first case a price difference of appraximately 3.5 per cent, and in the other a price difference of 10 per cent. I do nat regard the difference of 3.5 per cent as significant, nor do I regard the one other hotel showing an approximate 10 per cent difference as providing justification for a finding that in the nbsence of price guides, prices and costs would be reduced".

Referring to an examination of the argued link between accommodatian and liquor sales, the Chief Justice cammented:

"The evidence did not show that the accommodation liquor link had the effects alleged. Even in the absence of the price guides the accommodntion/liquor link would still exist and if it is necessary for liquor sales to some extent to suppart the provision of accommodation, then why would hotels reduce liquor prices? To do so would be quite contmry to the need to support such accommodution/liquor link. There is no proper basis for inferring a reduction in prices would follow the discontinuance of the trade practice alleged."

He held that the commission had not weighed up the benefits on the one hand and the detriments on the other.

"It has not even set out clearly what matters are claimed to be henelits and what are claimed to he detriments on the other so that a weighing-up exereise can he done".

"It should not be a difficult matter to at least identify the factors. Once this has been done then the weight given the various factars is essentially a matter far the commission in accordance with the evidence nnd the inferences the commission may properly draw from that evidence".

But the Chief Justice held that, while the Examiner of Commercial Practices had to prove that a trade practice was deemed on its face contrary to the public interest because it would have effects on prices, reduction of costs and so on, the parties to the trade practice (HANZ in this case) had to prove that the public benefit factor and the "not unreasonable" effects of the practice in the particular case were sufficient to make the practice not contrary to the public interest.

The distinction is fine, but is important to future cases before the commission.

"And if I'm elected I promise lower taxes, stop inflation and provide prosperity! But if I'm not elected . . ."

Reputation salvage effort with mature kiwifruit

by John Draper

EASYGOING kiwifruit grawers and exporters, shocked by a triple-pronged disaster last year, are working hard to protect the money-spinning crop's future.

With the advantoge of hindsight, exporters are admitting that the near-miss was a jolt they badly needed.

Complacency has gone as growers and exporters realise the long-term future of the fruit is at risk, not from overseas competition but from their own shortcomings.

This season no fruit will be exported before May 5. Growers will not be allowed to pick until their fruit is scientifically verified as mature.

With on eye to the future — the 1981 crop could be 50 per cent up on this season's estimate — exporters will devote 1 per cent of the fruit they handle to new market development.

Last year for the first time the crop had not matured by May 1, but trays of unripe fruit were airfreighted to all major markets where they received a poor reception.

The fruit is difficult to asacss. But this year growers will not be allowed ta start picking before an average sample passes a level af 6.2 per cent — the ratio of sugar ta soluble solids.

Adding to the problems last year was a gross under-estimate by growers of the amount of fruit on the vines. Exporters who had budgeted and programmed their sales and promotion to 2.8 million traya were canfronted with nearly 4 million.

The final blow was storage rot in fruit ripening in warehouses near most markets. The Japanese, in particular were unable and unwilling to cope with the rot. Many trays had to be repacked ond re-exported to West Germany.

New Zealand kiwifruit got a bad name everywhere except in West Germany, which was willing to take all the surplus and since then has been buying fruit from France and California at high prices.

To improve the tarnished image, a mission of growers and exporters will leave this week for Japan to give importers assurances there will be no repeat of last season's problems. They will also discuss promotion for this year's crop.

Promation is being co-ordinated by the nine exporters in West Germany, Britain, the United States and Japan prior to the launching of a single New Zealand brand.

Marketing experts have criticised exporters for promoting four major New Zealand bronds and several smaller ones instead of promoting "Kiwifruit" as the New Zealond product.

The New Zealand name for the Chinese Gooseberry is naw used by all ather exporters.

In 1981 all fruit will he marketed under the "New Zealand Kiwifruit" lahel, incorporating ostylised logo and design which has not yet been released. Individual hrands will be allowed ta attach their mark.

The logo is a second attempt. Fruitgrowers' Federation Ltd's export manager Mack Nicoll said the first was not a success.

"No one could understand what a fat chicken wos doing with a cortwheel."

Exporters regard the 1 per cent market development quota as the fairest way of apportioning what is initially a costly business, Nicoll said.

Overall, 40,000 trays will be devoted to new markets ranging from Venezuela, the Middle-east, Hungory, Poland, to Hong Kong and Singapore.

This year growers can expect slightly hetter prices, although exporters are reluctnnt to predict what they will be. The likely average price will be $6.50 to $7 a tray.

"The prospects are good. What we need is more fruit," Nicoll said.

Testing delays blotch avocado export attempt

AVACADO growers are angry that they failed to break into the Australinn market this season hecouse of delays in testing for sunblotch disease.

With a few days of the season left to export, only a trickle of trays have gone. Growers in the fledgling industry had hoped this would be New Zealand's first substantial foray into Australia.

Complex testing for the disease, insisted on by Austrolia, was due to start early in December but did not eventuate until late January.

One Auckland export firm has been unable to send at least 2000 trays.

The Australion morket shortfall means a tray of about 16 avocadoes can fetch about $53, meaning that one export firm has lost $108,000.

The only testing available is carried out by a private horticultural consultant Wayne Thomas, who rents part of the Turners and Growers premises at the City Markets in Auckland.

Thomas helped develop the new method testing for sunblotch disease while working at the DSIR last year. His tests enable an avocado tree to be given a clean bill of health within four days. The previous tests took up to four years.

Thomas left the DSIR and set up in private prnctice.

The 10 main growers expectantly prepared to receive health clearances from early December.

Thomas told *NBR* that vital chemical equipment did not arrive from the United States in time and his stoff stood idle for two months. He said that equipment promised in 10 weeks toak 18 weeks to arrive.

Thomas denies he has given preferential treatment to the clients af Turners and Growers. Neither he nor his staff knew whose somples were being tested, he soid.

The samples orc selected for testing by the Department of Agriculture nnd are identified only hy code.

Exporters say that New Zealand is lucky to be given the chance of hreaking into a small gap in the Australian market from December to Mnrch with a variety known as Hoss avocados.

Australia has been insisting for years that avocado imports be given a certificate of clearance for sunblotch, even though the disease has never been known in New Zealand. Each tree in a plantation must be checked.

The mandate has effectively kept local fruit out of the Australian market hecause under the ald testing pracess only 30 trees could be tested a year.

Lets get television advertising into focus.

We learned a lot of valuable lessons from running two television channels over the past five years.

Now, with the development of Television New Zealand, we're able to put them into effect and offer a service unique, anywhere in the world.

Better for the viewer. Better for the advertiser.

With the introduction of complementary programming, viewers have an unobstructed choice of programmes, and advertisers a far more advantageous selection of schedules.

We, Television New Zealand, will endeavour to match viewer to programme, and eliminate the clashes brought about by conflicting policies, which will allow all programmes a far greater chance of achieving their true rating potential.

The principle has already been firmly established; general comedy and crime shows positioned against more specialised appeal programmes, such as current affairs.

The consumer will have a clearly defined choice. No comedy against comedy, documentary against documentary, film against film.

While it's our hope audience share will equalise between both Two and One, it is not our intention to divide the audience in half at any one time. We're expecting viewers will find appealing programmes, at different times, in approximately equal proportion, on both.

So, in ratings terms, there should be a flow of audience throughout any given evening, from one channel to the other.

Our plans are specifically designed to match programme type to viewer type, irrespective of channel. Advertisers will, therefore, find it easier to pin-point target markets, and be confident of reaching them in the correct environment.

Flexible rate structure gives you the opportunity to get exactly what you pay for.

With the implementation of the multi-line rate card, and computer booking facilities, pioneered by South Pacific Television, advertisers and their agencies will have a variety of choices. The basis of the rate structure being that the placement and the type of programme screened will appeal to certain target audiences.

So naturally, the highest rates have been struck for programme types with wide general appeal, placed at times when the bulk of the audience is available, and which in the past have proven to be consistently high performers.

Lower rates apply to those appearing on Two, with its urban emphasis and marginally lower rural coverage, and programmes with more specific and specialised appeal on either channel.

Rates on Two are structured substantially below One's, as an interim measure, until full national coverage is achieved.

So, advertisers of products with wide appeal to broad market segments will be able to purchase time in strong-rating general appeal programmes or zones on either channel, for a realistic expenditure. For those with tighter target segments, the new structure allows specific targeting and consequent value for money.

For those looking at more specialised target markets like teenagers, major business decision-makers, higher socio-economic groups, etc., the combination of programming and the rate card format provides an opportunity for more cost efficient and effective impacts, than has previously been possible.

Regional Television is better value than ever.

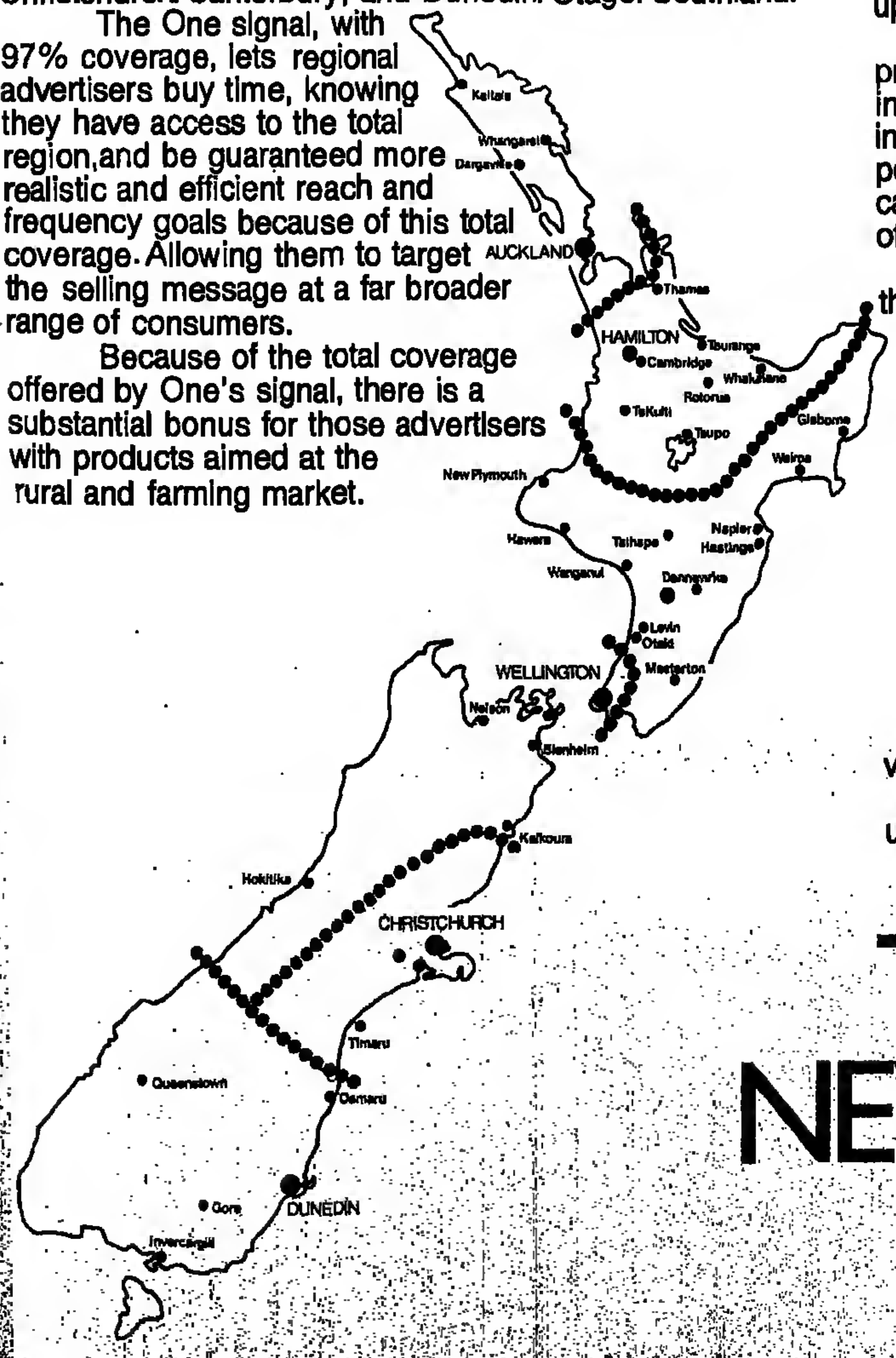
In the revised structure, One takes over the regional services that were offered by South Pacific Television, while Two will provide network only coverage.

Advertisers will be able to purchase time in any or all of the following six regions on One:

Auckland/Northland; Hamilton/Bay of Plenty/King Country; Taranaki/Manawatu/Wairarapa/Poverty Bay/Hawkes Bay; Wellington/Marlborough/Nelson; Christchurch/Canterbury; and Dunedin/Otago/Southland.

The One signal, with 97% coverage, lets regional advertisers buy time, knowing they have access to the total region,and be guaranteed more realistic and efficient reach and frequency goals because of this total coverage. Allowing them to target the selling message at a far broader range of consumers.

Because of the total coverage offered by One's signal, there is a substantial bonus for those advertisers with products aimed at the rural and farming market.



Weekly national research means you know exactly what's happening.

We're offering consistent, in-depth, audience reserarch to advertisers and agencies.

Each week, abbreviated national research reports, designed to give an early indication of significant changes, primarily through programme ratings, will be produced. These reports will cover several of the more commonly used demographic breakouts.

Results will be available in the week following the completion of the rating period.

In addition, detailed network reports, based on the six regions, will be supplied monthly. Reports covering main cities only will also be available monthly and quarterly.

The depth and consistency of this research service is unique. No other medium matches it.

Advertisers and agencies will be able to pin-point those programmes and/or time zones with specific appeal to selected target groups.

It allows buyers the opportunity to purchase cost efficiently and effectively.

Additional marketing services.

Television New Zealand will establish a Marketing Services Division.

It will benefit both advertisers and agencys through consultation and information exchange and up-dates.

Executives of this Division will be available for presentations on new research findings, both local and international, the perception of television "The Medium" in the market, its psychological implications, its performance in specific target groups and product categories, and they'll offer advice on innovative ways of utilising the medium to the fullest.

The Division will become operational later this year.

The new Television New Zealand.

We've come a long way and learned a lot of valuable lessons.

And now we offer a service we think is unequalled anywhere in the world.

We hope we've made that clear.

TELEVISION NEW ZEALAND

Sport

Romantic wish: Olympic state for troubled games

THE offer by the Greek Government to provide a permanent home for the Olympic Games has revived the hopes that the troubled festival of sport will rediscover its "original pure spirit." In fact, the ancient Games were a platform for greedy professional athletes and were plagued by financial difficulties, as Robert McDonald reports.

EIGHT kilometres to the west of the modern town of Olympia, a dusty expanse of parched grazing land awaits the Olympic kiss of life.

This barren patch — 500 hectares — has been offered as a neutral Olympic state, a permanent home for the politically troubled games, by a Greek Government which says this is the only way to "purify" the institution and "reunite it with its true meaning".

A romantic wish — and alas, one with no historical foundation. Baron Coubertin's Victorian notion that the games epitomised the ideal of fair play as its own reward was a marathon distance from the truth.

In the latter period of the original games, the best competitors were professionals and it was more a case of "to the victor goes the spoils".

The ancient games were plagued with financial difficulties and on two occasions a non-Greek president was appointed to ensure enough funds were available.

The ancient site of Olympia was a religious shrine to the God Zeus, chief among the pantheon of Hellenic deities. It nestles in a verdant river valley, rich with evergreen oaks, Aleppo pines and the constant thrumming of cicadas.

Today its hot, dusty somnolence is broken only by the noise of coach-loads of tourists traipsing in to view the ruins.

The games began simply and the first 14 Olympiads consisted of one event — a 200-metre footrace.

They expanded to include long jumping, discus and javelin throwing, boxing, chariot races and the pankration, a brutal form of no-holds-barred, all-in wrestling.

They were organised and run by an oligarchy of gentlemen-farmers from the nearby state of Elis. Ten *hellanodikai*, or umpires, were elected and they supervised pre-games training and the actual contests.

To qualify, an athlete had to be the legitimate son of Greek parents, without criminal record and officially registered on the citizen roster of his native city.

Barbarians — anyone not Greek — slaves and women were forbidden. Indeed women entering the precinct during the period of the games risked being hurled to their deaths from the Typaeon Rock.

Competitors had to train for 10 months and undergo a course of exercises at the temple gymnasium for a month before the festival.

Athletes entered as individuals and not as teams representing their cities or districts.

The prize was a palm frond and a garland of wild olive. But victors gained wealth and fame upon return to their home territories.

Their praises were sung by famous poets. They were used by their cities as emissaries to conduct negotiations. And they were hired at vast sums to compete in lesser local games.

In 67AD, when Rome held sway, the Emperor Nero stage-managed an Olympics for which he invested several new competitions — he won every event.

Facilities at the site were rudimentary. There were two bath houses and until the 4th century BC no hostels for athletes.

Spectators stood to watch the events amid noise, dust and clouds of flies. The Stoic philosopher Epictetus refers to discomforts of Olympia but adds "all discomfort is balanced against the memorable character of the spectacle".

The games were plagued with financial difficulties and the Eleans had to look to other communities and wealthy individuals to make substantial contributions.

They resorted to the appointment of a non-Greek president in their search for financial aid. One of these was King Herod of Judea, who was made president of the Games in 12 BC, to see them through a particularly difficult financial crisis.

The International Olympic Committee has appointed a five-man committee to study the Greek offer in detail and to report to the 11th Gen[eral] Congress at Baden Baden [in] 1981.

Prime Minister Constan[tine] Karamanlis originally s[ug]gested Greece as an altern[a]tive games site when troub[le] blew up over the 1976 M[on]treal Olympics, but, for va[r]ious reasons, nothing came [of] that offer.

"This time," says I[OC] chairman Lord Killan[in], "there is a very big differe[nce]. Karamanlis is suggesting a[n] with extra-territorial ri[ghts] and this I think puts a co[m]pletely different complex[ion] on it."

Secretary of the n[ational] Hellenic Olympic Commi[ttee] Nikos Filaretos admits [we] have not delved deeply [into] the financing of their offe[r].

"That would be for the [IOC] to work out," he said. "Gre[ece] would merely provide a territory."

But, as competing co[m]munities contributed i[n the] past, so modern nation[s] participate in the capita[l] of constructing perma[nent] installations.

Overheads and maint[en]ance could be at least p[artly] financed through the sa[le of] television rights worth [...] million this year. Curr[ently] two-thirds goes to the h[ost] country to help them d[efray] the phenomenal cost [of] mounting the modern [ex]travaganza. One-third go[es to] the IOC for administratio[n].

Imports spark US inquiry

IN the biggest action of its kind ever initiated, the United States Department of Labour has begun investigations to determine whether 200,000 laid-off United States auto workers are eligible for special Government benefits because of competition in the United States from imported cars.

If the department finds that import competition has been an important cause of the unemployment, the work[ers] would be entitled to finan[cial] and other benefits over a[nd] above the usual une[m]ployment benefit payme[nts] that all qualified unemploy[ed] persons may receive.

The benefits could inclu[de] training for jobs in other i[n]dustries and help in moving [to] other parts of the count[ry] where new jobs are availab[le].

Shipping

Rate-cutter enters Far East container service

by Warren Berryman

A NEW non-conference shipping service between New Zealand and the Far East will begin operating on March 14 offering freight rates 10 to 15 per cent below conference rates.

The service, Trans Asia Container Line, is a subsidiary of Capricorn Shiffartskontor Gmbh of Hamburg, which also owns Trans Capricorn Container Lines (TCCL)

TCCL is a slot charter operation run by shipping magnate Vince Kean and Bill Speedy, who will also handle the Trans Asia Containerline business.

Trans Asia is based on an agreement with AES Express, part of the Swedish Bostrom Group, which provides space on its ships under a renewable long-term container space contract to Trans Asia.

The under limit of this contract is for 100 containers per monthly sailing.

Trans Asia, without advertising, has already booked 86 containers for the first voyage.

AES Express ships have been bringing cargo to New Zealand for some years, but have been taking no cargo out until now.

The ships sail from the east coast of the United States to New Zealand, Australia, Manila, Hong Kong, Taiwan, Japan, and back to the United States east coast. There are three ships on the run.

Cargo from New Zealand can be loaded for any of these ports except Australia.

All shipping to and from Australia is limited to ships using Australian and New Zealand Seaman's Union labour.

Trans Asia hopes to obtain non-refrigerated producer board cargo. The Wool Board has been considering its proposals.

Trans Asia is offering wool shippers reduced freight rates, 10 per cent or less, on a per kilo basis.

It is understood that Trans Asia was originally interested in offering wool shippers a "box rate" but was told the Wool Board would not accept this.

Box rates are charged on a per container basis rather than on weight. This would give a huge freight saving to those New Zealand-owned wool companies which have installed dense-baling presses.

Several New Zealand-owned companies have installed presses that allow them to get 15 tonnes of wool into a 20ft container (compared with eight tonnes of conventionally baled wool). A box rate might allow these companies to ship for as little as half the freight rates paid by the largely foreign-dominated and Wool Board supported "wool club".

So Trans Asia is offering freight rates only on a per kilo basis, which gives no wool shipper a freight advantage over others.

The Wool Board wants "uniformity" in the trade. This means the innovating New Zealand-owned companies must not be allowed to gain any advantage through their investment in high technology over their foreign-owned competitors.

It is understood Trans Asia has a tentative booking for cargo from the Dairy Board.

Trans Asia is also offering trans-shipment services to points other than its ports of call.

Computers

Product delivery problems hold IBM profit level growth down

by Stephen Bell

A GOOD performance by world standards, but not so encouraging from a New Zealand perspective. That sums up the 1979 financial results just published by IBM New Zealand.

World-wide, the company experienced its first annual drop in profit since 1951. Here, it is the continuing story of a climb from the low point represented by 1977.

There were, admittedly, some extraordinary items in that 1977 result, but profits, even on paper, have still not climbed back to the 1976 level, and even managing director Basil Logan expressed doubts of a return to those high-profit days.

IBM's troubles of the past year or two have been largely due to its own timing of announcements. The long wait for the announcement of the 4300 series persuaded many customers into renting and leasing machines of the existing range rather than buying them.

Now the pent-up flow has been released, resulting in an inevitable "hump" in demand, and a large backlog of undelivered equipment; and "backlog" it seems, has now become the whipping boy for less than satisfactory profits.

For the coming year, says Logan, the greatest impact on results will be installation of the backlog, rather than the balance between lease/rental and purchase.

The delays, are now diminishing, with the help of "a huge investment in manufacturing capacity", he adds confidently. "We would not be committing ourselves to that (investment), if there were not a healthy expectation for the future".

Pressure to defer purchase orders has been particularly strong in New Zealand, owing to the inflation of the price by sales tax. Hence the size of the demand hump is likely to be disproportionately large for the size of the DP community.

IBM never talks figures, and it is difficult to judge how many of the initially placed orders will be carried through to the installation of a machine, and how many will be cancelled.

Significant pressure on the company's costs had come from adverse overseas exchange movements, Logan added.

From a sales volume perspective he says, 1979 brought "a significant growth at a bad time for the economy".

Makers of computers and other equipment aimed at boosting efficiency tended to prosper more than others at such times, he reflected.

"We're not selling because the economy is strong, we're selling because it's not."

Sales were particularly healthy at the lower end of the equipment range — the company sold some 40 System/34s. There was also a notable expansion in use of communications equipment, said Logan.

Law

Courts: new names, more money and sea chests

by Jack Hodder

ONCE upon a time, law and order was maintained, for most of New Zealand's pakeha population, through the Kororareka Vigilants' Association. The sanctions imposed on social deviants (and still mourned by some) included tarring and feathering and confinement in an old sea chest.

More recently, law and order has fallen to the Supreme Court (established 1841) and magistrates' courts (traceable back to 1846).

At the end of the month those courts will be transformed into the High Court and district courts respectively, as the most conspicuous of the recommendations of the Royal Commission on the Courts becomes law.

The new names may be criticised as unnecessary and a transparent attempt to be seen to be doing something. But it has to be recognised that important changes to the courts, one of the three fundamental branches of government, are proceeding.

The main change hardly required a Royal Commission's sanction. It is the injection of more judicial manpower into the system.

The Court of Appeal has been increased by one and now comprises the Chief Justice, the President of the Court of Appeal and four permanent judges.

The High Court will begin with the Chief Justice plus 21 permanent judges and one temporary judge. The March 1980 tally of the higher judiciary stands at 28; in March 1970 it was 17; and in March 1960 it was 15.

The district courts will start off next month with 68 judges, compared with 50 magistrates in March 1970 and 40 in March 1960.

And one of the most important features of the Family Courts Bill, now before Parliament's Statutes Revision Committee, is provision for a further eight district court judges. That may mean that by the end of 1980, total judicial strength will be 103; a decade earlier it was 67.

Within the expanded judiciary there has been an important rearrangement of jurisdiction. The first stage of this comes into effect next month when the maximum limit on the size of civil claims in the district courts goes up from $3000 to $12,000 and the effective minimum limit on High Court civil claims goes up from $1000 to $8000. (If a plaintiff recovers less than $8000 in the High Court his entitlement to costs and disbursements will normally be limited to those which would have been available if the action had been taken in the district court.)

The second stage in the jurisdictional reformation is visible in the Family Court Bill.

The Bill proposes that the district courts deal with proceedings under the Marriage, Guardianship, Matrimonial Property and Family Proceedings Acts.

The High Court's family jurisdiction would be limited to appeals and especially complex cases.

One of the problems facing this stage of the exercise is the purely physical one of proper premises.

The Royal Commission recommended that family courts be physically separate from (and less spartanly equipped) than ordinary district courts.

The third stage is not yet visible but has been promised, in the form of a Bill to be introduced later this year. This is the transfer of criminal jury trials in offences of medium seriousness from the High Court to the district courts.

Again there will be physical problems to be overcome, because most magistrate's court buildings do not have facilities for juries.

All three stages are designed to reduce the pressure of work on the High Court. Indeed, Justice Minister Jim McLay has suggested that once the district courts get going the size of the High Court bench may be reduced (doubtless by natural wastage).

Both the Royal Commission and, more recently, the Chief Justice predicted that the High Court would become increasingly concerned with public and administrative law – laying down guidelines for public bodies – rather than the present concentration on resolving individual disputes.

Such a move could pave the way for an unprecedented degree of judicial activism and extended involvement in cases along the lines of the United States superior courts.

In the end the prestige and role of the courts depends on the judges who sit in them.

The legislation which comes into force on April 1, has one change to the criteria for appointing judges. Supreme Court judges were required to have actively practised for seven years before they could be considered for appointment. The new requirement for all judges is merely to have held a practising certificate for seven years.

In practical terms, this makes possible in this country an appointment to the judiciary from among university law teachers (as happened with the present Canadian Chief Justice, Bora Laskin).

Another matter pertaining to judicial appointments is the establishment of a judicial commission to advise the Attorney-General on such appointments and to consider complaints against individual judges. Such a commission was recommended by the Royal Commission but has not been accepted by the Government. Nor has the Royal Commission's suggestion of a permanent full-time Law Reform Commission.

And, on a rather more delicate note, the Government has made no move on the Royal Commissions recommendations that the retiring age for judges be reduced to 65 (it is presently 72 for Supreme Court judges, 68 for magistrates) and that superannuation be restructured so that full superannuation rights are available after 15 years of judicial tenure (the present system provides an incentive to stay on for at least 20 years).

The Government has, however, taken to heart the Royal Commission's call for a substantial increase in judicial salaries.

In September 1978 magistrates' salaries were increased from $23,075 to $32,365 and Supreme Court judges' salaries from $31,648 to $42,865.

Since September 1979 the salaries have been $37,339 and $49,452 respectively. The object of this has been to make judicial appointments financially attractive to successful members of the legal profession. This seems to have been done.

All of which leads to an excursion across a calculator to find that, on present rates, judicial salaries for the next 12 months will total $3,929,472.

A tidy sum and one capable of purchasing a fair quantity of tar, feathers and old sea chests.

Standby petrol conservation

A FOUR-day work-week, less commuter driving, one carless day each week, even lower speed limits – these are some of the most controversial parts of the Carter administration's standby plan to save gasoline in an emergency.

The nine-point package would be invoked only in case of a severe supply disruption.

Travel

Australia's twin airline policy challenged by state

AUSTRALIA's much-vaunted twin airline policy is getting a thorough shake-up. More competition could be introduced into the system.

Policy, introduced in the 1950s, controlled the growth of the airline industry by limiting the airlines' ability to compete with each other, and by obliging them to respond to community demands.

In the last few months certain moves have shaken the foundations on which the policy was based.

Rhetoric abounds about what the twin airline policy did or did not do during its heyday and what it does or does not allow or encourage now. The government-owned TAA seems in the better position in terms of attitude and aircraft equipment to take the heat of competition than privately-owned Ansett Airlines.

Despite proclamations by Ansett's new joint managing director Rupert Murdoch in favour of more competition, Ansett's corporate position is firmly in favour of maintaining the twin airline policy with some changes.

The cornerstone of the twin airline policy is control of capacity. Ansett is adamant that the Department of Transport must continue to exercise its legal powers to ensure there is never excess capacity for market demand.

A company spokesman told *NBR* that the operations of TAA had to be restrained; otherwise greater government resources could be used to wipe out the private company.

The TAA view is that Ansett is unwilling to take them on whatever the terms of the competition. TAA argues that the twin airline policy was a virtual guarantee of profits for Ansett during the 1950s and 1960s and that it will do the same for Murdoch.

The 1950s policy followed the success of TAA and the virtual collapse of its main competitor, ANA. Reggie Ansett took over ANA and secured a guarantee that competition by TAA would be restricted in return for closer co-operation between the two.

Controlling capacity, the basis of the policy, meant that the airlines had to swap their projections of market growth, cost increases and so on, and resolve their differences in discussions with the Department of Transport. It also meant that the two airlines should offer the same fares to the public and that each airline should offer half the capacity on a particular route.

A co-incidence of aircraft technology meant both airlines – for the most part – favoured the use of the same type of aircraft in the '50s and '60s.

The framework for competition by agreement, and the choice of similiar equipment further limited the opportunity for competing service strategies. Over the past 25 years the two airlines have looked, sounded, and operated in very much the same way.

For the Australian traveller it meant safe, orderly travel to most centres, often enough and cheaply enough to facilitate business and communications. And it allowed consistent growth and reasonable profits for the airlines.

Now all that may change. Both airlines want more freedom on airfares, particularly those attractive to the growing leisure market. That market is based on advance purchase fares and the two airlines have different approaches and responses to political pressure for changes in long haul possenger fares.

With fuel constantly rising in price, the pair have found it increasingly difficult to maintain a common view on fares.

TAA's decision to buy the 270-seater A300 Airbus puts it one jump ahead of Ansett in the equipment race. Ansett is still deciding between the widebodied European twin-engined A300 and Boeing's narrow bodied X767.

Ansett is opening up service strategies as a means of competition. It has introduced a new type of meal on the most travelled routes.

Murdoch has joined public calls for TAA to be sold to private enterprise, or at least be required to show a commercial return on its government-supplied capital.

Transport Minister Ralph Hunt has ruled out any sale of TAA, and the airline says it has satisfied governments over the years that its operations are worthwhile – socially and commercially.

Ansett is basically looking to widen its reach in the market while maintaining the twin airline policy as the foundation on which its profits are created. On the basis of management flair and enterpreneurial skill in the marketplace, Murdoch believes that Ansett will beat the more bureacratic TAA any day of the week – provided that TAA doesn't get government help.

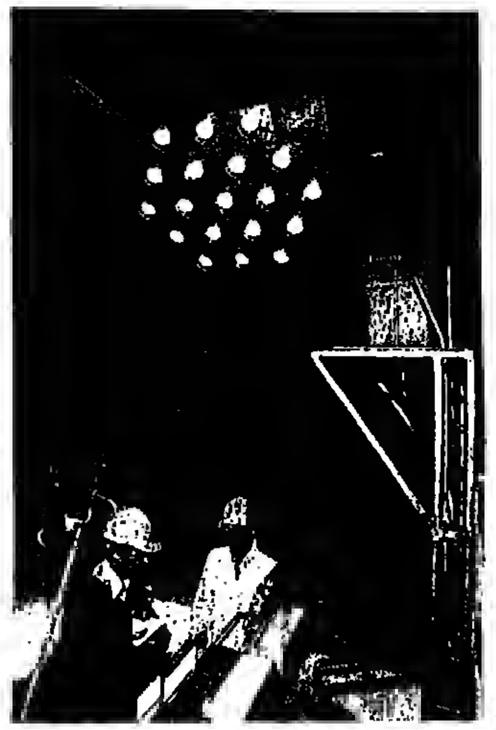
TAA says that's not playing fair and if you really want competition, its saying to Ansett, let's drop all the conditions and guarantees and get into the marketplace. However in its insistence on keeping TAA under some form of restraint Ansett has shown its reluctance to accept the TAA challenge.

While the battles verbal and political are unsettled the various twists and turns do illustrate an evolving relationship between state and private enterprise.

Two questions: Would the country be better served by abandoning the twin airline policy altogether and letting the market settle the outcome? Does private enterprise have any claim on the state for protection from competition against the state's own agency? That's the real interest in the outcome.

How renewable resources will fill the energy gap

by John Stansell
Technology Editor
"New Scientist"



Artificial sun . . . tests solar panel efficiency.

Aerogenerator . . . feeds power to national grid.

WITH an annual rate of oil production nearing that of the fifth largest Opec oil producer and enough coal beneath the ground to last for 300 years — even allowing for increases in energy demand — some observers might wonder why Britain is looking at alternative or renewable energy sources.

The puzzle deepens when the high cost of developing the totally novel technology is considered. But the answer is quite simple.

Britain, like many other countries, knows that oil is running out at such a rate that future sources of electrical power — such as nuclear fusion — and of feedstocks for the chemical and materials industries might not be ready in time.

Thus any reduction in the use of oil in areas that could be supplanted by alternative sources will serve to delay the onset of the "energy gap" — that indeterminate period between oil pricing itself out of the market and future methods of producing electricity becoming cost effective.

This is basically why the British Government began to invest in alternative energy when the full impact of what historians will call the "first energy crisis" became frighteningly clear.

Since 1973 a total of £15.7 million has been allocated by the Government to research and development projects involving renewable energy sources and an expansion of current programmes is under consideration.

Five separate programmes are being co-ordinated by the Energy Technology Support Unit (ETSU) of the Department of Energy, which is based at the United Kingdom Atomic Energy Authority's research establishment at Harwell near Oxford.

All are very small in contrast with the vast cost of developing a North Sea oilfield. The BP Forties field, for example, will have cost £1300 million for exploration and platform construction and installation when it is completed.

But all the programmes are vital now if the groundwork is to have been done by the time the technologies are needed.

The programmes cover the main forms of renewable energy, which unlike fossil fuels are not "used up". They are wavepower, solar power, tidal power, geothermal power and windpower.

The first two have had the greatest financial support with £5.4 million and £6 million respectively. Geothermal power projects have had £1.7 million of cash support, tidal power £1.5 million, and windpower the least so far with £973,000.

One other possible source of future energy known as biomass — including natural wastes, energy intensive plants like kelp, and such substances as sugar or cassava — is included in the solar programme and is expected to become increasingly important.

But what do these sources imply in technological and cost terms?

In the case of wavepower, which is a peculiarly British concept, the Department of Energy, through the ETSU, is funding work on a number of devices. These include Salter's ducks; Cockerell's wave contouring rafts; Russell's rectifier; the oscillating water column based on the ideas of Japanese inventor Masuda; and the Lancaster flexible bag.

Stephen Salter, of Edinburgh University, calls his wave power device a duck. It has a rounded bottom that sits in the water, and a beak that causes the whole structure to rotate when struck by waves.

Each duck rotates about a central "spine", driving variable hydraulic motors which generate pressure in an oil reservoir. This would be used to generate electricity either on a string of the ducks perhaps 500 m long — with each perhaps 25 m wide — or in a specially designed substation on the seabed. From there the electricity would be transmitted to the shore, probably using conventional techniques.

Sir Christopher Cockerell, the inventor of the hovercraft, is the designer of a system of contouring rafts. Three floating rafts are connected by hinges which drive hydraulic rams and, like the ducks, charge up a hydraulic reservoir.

Again the power take-off is likely to be electrical and based on well-proven transmission systems.

The rectifier designed by Robert Russell, head of the Hydraulics Research Station at Wallingford, west of London, makes use of the momentum in waves to open one-way valves and fill a high level reservoir. This then drains into a low level reservoir, driving a "low-head" turbine which produces electricity.

The oscillating column is a buoy-like structure, with two vertical legs, and one longer than the other. As the whole structure moves up with the seas, air is taken in below the shorter leg, and as the column falls the air is forced through a narrow aperture where it drives an air turbine. This in turn drives some other kind of energy producing device.

The main development work on this concept is being done at the National Engineering Laboratory in Scotland but some interesting turbine designs aimed at producing efficient ways of extracting energy from air moving in either direction — out of the buoy as it falls or inward as it rises — is being done by Alan Hidden at Queen's University, Belfast.

The Lancaster flexible bag is a relatively new concept which may make possible considerable capital cost savings. The device is made of flexible rubber rather than steel and concrete. The ETSU is considering a number of other devices, and the leading contenders are being developed at Imperial College, London, at Sussex University, at Lancaster Polytechnic, and by Vickers.

But what of the costs? Salter reckons that with £30 million he could build a 30 MW string of his ducks. This represents £1000/KW of installed generating capacity, which is about four times the cost of a conventional oil-fired station and just over twice the cost of a nuclear plant.

But then the "fuel" is free and the adverse environmental effects are unlikely to be other than marginal.

The use of solar energy in a temperate climate like Britain's poses severe problems. The solar energy falling on the country generally is "diffuse" — due to frequent cloud cover — and systems must be designed accordingly. And that broadly means using large arrays of black body absorbers to capture the essentially low grade heat and use it either for heating water or — with specially designed "passive solar buildings" to replace oil or gas-fired central heating systems.

Central heating now consumes considerable quantities of energy that comes initially from fossil fuels, so that savings resulting from major use of solar power would be worthwhile.

But on their own, solar heating systems lack consumer appeal. It takes too long to recover their cost in the form of energy savings.

So to make any impact they must be designed for the utmost efficiency and be used in buildings that have high levels of insulation — and preferably with some method of upgrading the heat, such as a heat pump.

All these reservations mean that in practical terms a great deal of money must be spent in developing highly efficient solar energy systems, and that accounts for the £6 million allocation to date by the British Government. Much more will be needed in the long term.

Wind power is perhaps the most universal of all the renewable energy resources. For the wind blows everywhere, while other alternative sources are found in exploitable quantities only in specific areas.

But despite that attraction, the scale of equipment needed to extract useful amounts of energy from the wind puts it in a league of its own.

In Britain, for example, a study of a wind generator showed that a machine to produce 3.7 MW of electricity when the wind speed was 20 m/s would need a 60 m diameter blade. This gives some idea of the size and number of generators that would be needed to match Britain's present 2000 MW oil and coal-fired power stations. And of course the machines would operate only when the wind was blowing.

But the experts, like Dr Peter Musgrove, at the University of Reading, believe that the wind does offer potential for the future and with other scientists and engineers he has formed the Wind Power Development Group.

One suggestion — attractive because it makes use of otherwise redundant technology — is to build many windmills in the Wash, a large, shallow bay on the eastern coast of England, and store the energy in the form of compressed air in empty gas reservoirs in the nearby North Sea gas fields.

The £1.5 million invested in research into tidal power is purely for studies of two possible schemes to build an energy extracting barrage across the Severn estuary in south-west England.

Both would make use of the exceptionally high tides to drive low head turbines to produce electricity directly, but one would be based on a single basin while the other would involve the construction of two basins.

Although such schemes sound more practical than some other renewable resources at first sight, the cost of a Severn barrage would exceed £2000 million — at 1977 prices — for perhaps a 2000 MW output. And environmental effects would be considerable, with widespread silting and adverse effects on natural fauna predicted by opponents.

One of the most obvious objections is that no small-scale prototype could be built, so that there would be no room for error in extrapolations from models and computer simulations.

Nonetheless, the Department of Energy is funding further studies into both single basin and double basin schemes. Other work is concerned with improving tidal predictions, long term geological and environmental studies, and novel barrage construction methods.

Geothermal energy is the scientific term for the heat stored in rocks and water reservoirs below the surface of the earth. In countries like New Zealand, considerable amounts of power are generated by tapping natural geysers. In the United Kingdom, the Wessex sedimentary basin in southern England contains warm water that might be exploited.

This would involve drilling 3000 m into the earth to reach the reservoir with the aim of using the water, which is highly saline and at temperatures of 50 to 80°C, either to preheat boiler water for the nearby Marchwood 2000 MW power station or for district heating of homes in the Southampton area.

The other source of energy that is likely to find increasing political and technical support is the extraction of energy from natural matter.

The development of sugar and cassava fermenting plant in Brazil to produce alcohol has allowed that country to cut its consumption of oil for petrol by 20 percent. Up to 20 per cent of alcohol is added to motor spirit — the product is described in the United States of America as "Gasohol" — without any severe adverse effects on the vehicles burning it.

In the United States at least 500 petrol stations in the midwest corn belt are selling gasohol containing 10 percent alcohol.

Other bio-energy resources involve the recycling of domestic wastes, and use of wood and other plants to produce energy intensive industrial solvents, or to replace oil as a feedstock for the huge chemical plants that produce many of the products the western nations take for granted.

Helmet dies in demand

MEXICAN motor-cycle riders wear crash helmets made from New Zealand dies.

Petone toolmaker Karl Walker has made two sets of helmet dies for a Mexican manufacturer. His firm, Agmar Tools has also made four sets of crash helmet dies for a Kentucky-based manufacturer.

Walker has just learned of repeat orders for dies for new ranges.

This unusual export deal came after Walker received a tip-off that his expertise with crash helmet dies would be in demand elsewhere.

His visit to Mexico and Kentucky secured the initial order.

Agmar Tools are recognised as one of the top die makers in Australasia. Agmar made the dies for the Philips cassette record player — four years ago — still the most sophisticated consumer product to have been designed and moulded here.

Fiji move by Winstone

WINSTONE Plastics, Palmerston North has licensed a Fiji plastic pipe manufacturer to use New Zealand know-how and technology.

The Fiji company, Lees Industries, uses Winstone's expertise in PVC pipe manufacture.

This deal is a reversal of the normal practice under which firms here become the licensees for overseas technology.

Winstone made the decision in the face of Fiji import licensing and a 35 per cent tariff wall.

Assistant factory manager Roy Lee has become the manager of the Fiji factory.

The Palmerston North factory also supplies Lees Industries with equipment and plant.

An intake flare produced in glass reinforced plastic

GRP joins the jet set

THE large intake flares for the Rolls-Royce RB211 industrial gas turbines are being produced in GRP (glass reinforced plastic) by a British company in north west England.

The flares utilise an advanced polyester resin with a high heat distortion point and are finished by hand to the close tolerances required in the specifications.

Produced in an unpigmented natural colour, the units comprise three sections; the aerodynamically shaped flare, a parallel sided cylindrical centre section and a base. The centre section mould is adjustable in length, up to 1524mm (five feet) for some RB 211 units.

The rim and interior surfaces are provided with a high gloss finish to aid the flow of air and the units, which bolt directly to the engines, are free of distortion at operating temperatures up to 100 degrees C.

Raw prices stable

THE price of PVC — the basic plastics raw material used here — has stabilised and even dropped in price.

Some consignments have been offered for $800 per tonne, while the February PVC price was between $900 and $1000 a tonne CIF.

In the last quarter of 1979 the price was firmly fixed at between $1000 and $1200 per tonne.

The fluctuation shows that the price of PVC is not necessarily linked to the leapfrogging cost of crude oil.

"The markets in America, Europe, and Japan have definitely reduced," says Frank Meinke, plastic raw materials manager for Henry York. "The decreased demand has created something of a surplus."

Raw materials prices across the board have settled down — and there is still no problem with supply. The price of polyethylene remains relatively stable at $1300 a tonne.

IDC study needs time

THE Plastics Institute seems likely to seek an extension for its industry study submissions. The original deadline was March 12.

PINZ received guidelines for submissions in mid-December 1979 and has filed about 250 questionnaires.

"We must have adequate time for the submissions — we cannot sell the industry short," says PINZ executive officer Bruce Dunlop who is co-ordinating the study with the Industry Development Commission.

The Industry Study, was urged upon the plastics industry for many years, but PINZ only took up the challenge of industry-wide "psychoanalysis" last year.

Processors are deliberating over the study. It will have long term strategic effects on the industry.

The PINZ study is important because of the industry's near-total importation of all raw materials.

One factor that will be examined with interest is the industry's declaration five years ago that its prime objective would be to balance exports with total import of raw materials.

"We are really burning the midnight oil on this one," says PINZ president John Mason.

Woodpulp for plastics base

GROWTH Opportunities In New Zealand, the Government's new aspirations book, underlines the scope for dissolved woodpulp as the basis for a plastics chemical industry.

Dissolved woodpulp is the basis of the rayon and cellulose-derived plastics industry.

"Large-scale production of fuel ethanol from wood could enable such an industry to be established in New Zealand," notes the forestry section of the booklet.

Starch forms process base

UNITED KINGDOM milling giant Spillers has begun manufacturing plastics raw materials from starch.

The Spillers process appears to be simple and inexpensive with starch being derived from wheat, maize, or potatoes used in the process.

Spillers researchers said that as much as 40 per cent of oil-based polymers can be replaced by suitably treated starch in some applications for plastics, including the films from which packaging materials are made.

According to Spillers, mechanical tests indicate that the inclusion of starch does not significantly reduce the strength of a plastic component and may in some respects even enhance it.

The company has built a pilot plant capable of processing 1000 tonnes a year of starch for use in plastics, and has plans for a full scale production plant.

Sydney office opened

TECHNICHEMICAL Products, Wellington has just opened a Sydney office.

The company specialises in plastics raw materials.

The Sydney office is manned by Technichemical founder Gerold Krynen who has moved to Australia permanently. The marketing side here is now headed by Roger Everest who joined the company from IBM.

Insurance companies into health fund market

Melbourne Correspondent

SOME Australian general insurance companies are offering limited health insurance to low-risk contributors in direct competition with Australia's private and government health funds.

Melbourne broker Bain Dawes arranged a scheme with Sun Alliance Insurance, which it said cut through the confusion surrounding Australian health insurance and provided protection to insured persons and their families against the high cost of hospital and medical bills.

Essentially, it is a policy for Australians in good health who wish to be insured against major illness but are prepared to meet the normal medical expenses rather than pay ever-increasing contributions to Australia's health insurance funds operating under the National Health Act.

The low-risk policies have met with vigorous opposition from the Australian Government and private health funds.

According to Australia's Doctors Reform Society, some of the health funds are facing bankruptcy because of the competition from the insurance companies.

Private health funds and the Government argue that the application of catastrophe-style cover fails to spread the risks across the community, allowing the healthy and the less healthy to share health insurance costs.

But this was true before general insurance com... offered their low-risk... Australia has had five... to its medical... scheme in the... Australians... many of th... good health... health insura... government... has become an...

Polyethylene production from Maui mooted

by Peter Isaac

A PROPOSAL for manufacturing low density polyethylene (LDPE) from Maui gas has been mooted by Petrocorp. The scheme centres round using the ethane content of the gas.

The scheme seems to be receiving attention from government departments and the Plastics Institute.

The relative economies of using the ethane for LDPE is central to the proposal. An earlier survey ruled out using the ethane for PVC.

A move upstream into plastics raw material production now seems a more distant prospect than it was four years ago.

Then, Auckland's Chemby Industries along with the United States chemicals conglomerate B F Goodrich had plans for a Whangarei polymerising plant for PVC.

The scheme was sunk, mainly by a health scare over the effects of angi sarcoma, a liver disease caused by an early stage in the PVC manufacturing process.

Many PVC users were unhappy about it, claiming that the plant's protection would boost prices by 40 per cent.

The issue was due to be reviewed last year. But nothing official has emerged from either Chemby or the Government. The Health Department had given the scheme a clean bill of health from the start.

Last year a document leaked from the Government's Petrocorp hinted in vague terms at the creation of a local plastics raw materials industry.

Indications now are that plastics raw materials processing will not proceed further than the present compounding operation which has existed for many years.

There is still no solid indication of ethylenes or propylenes being manufactured here. Only with the manufacture of these two basic monomers could there be a genuine plastics chemical industry.

While Maui gas would be ideal for ethylene and propylene, the cracking process is long and involved. Processing would be economical only with a substantial export market at the end of it.

Overshadowing the domestic raw materials production concept is the likelihood of a cat and mouse pricing battle with producers like Taiwan.

A highly efficient producer like Taiwan could start dropping prices to potential New Zealand customers the moment our own monomer or polymer came onto the market.

This would create the awkward situation under which local users might have to pay a protected price for raw materials while the country received no foreign exchange for an expensive product.

Apprehensive producers face market dangers

PLASTICS processors might regard the consumer market with a degree of fear and trembling this year.

The market began to soften early last year and a whole group of small-to-medium-size manufacturers quit custom moulding and got into their own products.

This enabled them to have full control over their own marketing and promotion.

Late last year, the consumer market took off again — and the industry, at all stages, was well poised to meet it.

The big worry now is that another round of sales tax boosts could remove the competitive edge from ranges of consumer products and the possibility of the housewife pulling in her purse strings.

A cut back on High Street may pose no problems for plastics manufacturers who price below metals.

Another danger is the likelihood of a drop in production. After much scare-talk two or three years ago, there seems to be no possibility of any wholesale removal of import protection.

When they addressed the annual meeting of PINZ late last year the Prime Minister Rob Muldoon and Minister of Trade and Industry Lance Adams-Schneider seemed conciliatory and sympathetic.

The industry's prime position as a big employer of unskilled Polynesian labour means the Government must look after it.

They can look forward to an expanding export market for agricultural applications, specially where there is a strong labour and technology content. There is the added advantage now of the falling New Zealand labour cost in relation to other developed nation's.